

GUTHRIE COUNTY HOSPITAL
INDEPENDENT AUDITOR'S REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION
COMMENTS AND RECOMMENDATIONS
YEARS ENDED JUNE 30, 2009 AND 2008

GUTHRIE COUNTY HOSPITAL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

We have audited the accompanying balance sheets of Guthrie County Hospital as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in Note A, the operations of a component unit are excluded from these financial statements. In our opinion, accounting principles generally accepted in the United States of America require that such an entity be blended with these financial statements.

In our opinion, except for the effects of exclusion of a component unit required to be included as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Guthrie County Hospital as of June 30, 2009 and 2008, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2009 on our consideration of Guthrie County Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the Board of Trustees
Guthrie County Hospital

The management's discussion and analysis on pages 4 through 4g and the budgetary comparison schedule on page 20 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (none of which are presented herein) and expressed qualified opinions on those financial statements. The accompanying information (shown on pages 21 through 36) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Deonewold, Bill, Kyelem & W. P. C.

Atlantic, Iowa
September 16, 2009

GUTHRIE COUNTY HOSPITAL Management's Discussion and Analysis

Our discussion and analysis of Guthrie County Hospital's financial performance provides an overview of the Hospital's financial activity for the fiscal years ended June 30, 2009 and 2008. We encourage readers to consider it in conjunction with the Hospital's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Hospital's total assets increased approximately \$1,430,000 during fiscal year 2009. Net assets, or total assets net of total liabilities, increased by approximately \$699,000 during fiscal 2009, an increase of approximately 9.6 percent.

The Hospital reported operating revenues for the year of \$9.4 million, an increase of approximately \$476,000 or 5.3 percent. Net revenues, or revenues after all expenditures, for 2009 were \$370,889, a decrease of \$466,478 from 2008.

The Hospital reported expenditures for the year of \$10.3 million, an increase of approximately \$994,000 or 10.7 percent.

USING THIS ANNUAL REPORT

The basic financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. The Hospital's financial statements consist of three statements - a Balance Sheet; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows. These statements offer short-term and long-term financial information about its activities.

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Therefore, all of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

The first two statements report the Hospital's net assets and changes in them. You can think of the Hospital's net assets - the difference between assets and liabilities - as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, to assess the overall health of the Hospital. Such non-financial factors could include changes in the Hospital's patient base, measures of the quality of service it provides to the community, and local economic factors, as well as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting.

The Balance Sheets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Assets. This statement measures improvements in the Hospital's operations over the past years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing, and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

These financial statements and related notes also provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

THE HOSPITAL'S NET ASSETS

The Hospital's net assets are the difference between its assets and liabilities reported in the Balance Sheet on page 5. The following table, Table 1, presents a summary of the Hospital's Balance Sheets.

Table 1
Condensed Balance Sheets

	2009	2008	2007
Assets:			
Current assets	\$ 4,541,475	\$ 4,247,961	\$ 3,484,527
Designated and restricted assets	--	810,990	--
Capital assets, net	8,135,860	6,207,903	5,241,914
Other noncurrent assets	54,943	35,204	37,506
Total assets	<u>\$ 12,732,278</u>	<u>\$ 11,302,058</u>	<u>\$ 8,763,947</u>
Liabilities:			
Current liabilities	\$ 2,950,190	\$ 2,156,206	\$ 2,111,220
Long-term debt	1,817,500	1,880,000	474,242
Total liabilities	<u>4,767,690</u>	<u>4,036,206</u>	<u>2,585,462</u>
Net Assets:			
Invested in capital assets, net of related debt	5,779,942	4,021,067	4,385,049
Restricted - expendable	80,556	80,110	80,000
Unrestricted	2,104,090	3,164,675	1,713,436
Total net assets	<u>7,964,588</u>	<u>7,265,852</u>	<u>6,178,485</u>
Total liabilities and net assets	<u>\$ 12,732,278</u>	<u>\$ 11,302,058</u>	<u>\$ 8,763,947</u>

A significant component of the change in the Hospital's assets is the investment in the new building and equipment. See related discussion in the CAPITAL ASSETS AND DEBT ADMINISTRATION section.

The most significant component of the change in the Hospital's liabilities was the increased borrowing from the 2006 Bond Issue. See related discussion in the CAPITAL ASSETS AND DEBT ADMINISTRATION section.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET ASSETS

The following table, Table 2, presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2009, 2008, and 2007.

Table 2
Condensed Operating Results and Changes in Net Assets

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenue:			
Net patient service revenue	\$ 9,189,319	\$ 8,718,451	\$ 7,867,814
Other revenue	<u>198,102</u>	<u>193,380</u>	<u>212,791</u>
Total revenue	<u>9,387,421</u>	<u>8,911,831</u>	<u>8,080,605</u>
Expenses:			
Salaries and benefits	6,593,106	5,834,849	5,645,258
Professional fees	642,935	554,016	269,287
Supplies, contract services, equipment & other operating expenses	2,312,582	2,230,229	2,054,746
Depreciation and amortization	<u>725,890</u>	<u>661,177</u>	<u>530,179</u>
Total expenses	<u>10,274,513</u>	<u>9,280,271</u>	<u>8,499,470</u>
Operating Loss	<u>(887,092)</u>	<u>(368,440)</u>	<u>(418,865)</u>
Nonoperating Revenues and Expenses:			
County taxes	1,283,702	1,194,367	1,283,041
Investment income	38,054	52,034	35,001
Noncapital grants and contributions	40,479	21,927	20,603
Interest expense	(98,982)	(62,011)	(7,317)
Other nonoperating revenues and expenses, net	<u>(5,272)</u>	<u>(510)</u>	<u>4,490</u>
	<u>1,257,981</u>	<u>1,205,807</u>	<u>1,335,818</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	370,889	837,367	916,953
Capital Grants and Contributions	<u>327,847</u>	<u>250,000</u>	<u>30,500</u>
Increase in net assets	698,736	1,087,367	947,453
Net Assets Beginning of Year	<u>7,265,852</u>	<u>6,178,485</u>	<u>5,231,032</u>
Net Assets End of Year	<u>\$ 7,964,588</u>	<u>\$ 7,265,852</u>	<u>\$ 6,178,485</u>

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING LOSSES

The first component of the overall change in the Hospital's net assets is its operating loss - generally, the difference between net patient service revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported an operating loss. This is consistent with the Hospital's entire operating history. The Hospital's operations were begun in 1951 as a county hospital, when it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the County's lower income residents. In the current fiscal year operating losses have increased.

Management's goal in 2009 was to continue the effort to increase the volume of patients treated while positioning the hospital and clinics to capture a greater portion of the Guthrie County health care market. Efforts continued to make the community more aware of the services provided at the Hospital.

In 2009 significant time and money investments were made to continue the process of positioning the Hospital to be more competitive in the primary and secondary health care market. The new practitioners have enabled the Hospital to offer new services. We have resolved a number of operating issues with the hospital and clinic buildings and have continued upgrading the Hospital's physical plant.

The Healthy Living Center opened in November of 2005. The community response to this addition has been very positive.

During calendar year 2007, we completed the additions in Pharmacy, Radiology and the Emergency Department. Each of these additions has had a positive response from the community.

The Operating Room addition and Rehab and Education additions were both completed in February, 2009. These additions have had a positive response from the community.

The primary components of these increased operating losses were:

An increase in bad debts and charity care of \$140,000 or 35.5%.

Increases in salary and benefit costs for the Hospital's employees (\$758,300 or 13.0% in 2009 and \$189,600 or 3.4% in 2008). In addition to the continued adjustments made in salaries to match market conditions, we hired two physicians to better serve the community.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

Finally, a process of upgrading the physical plant was begun during 2004 and continued in 2009 by investing in a number of items, including the following:

- Operating Room
- Rehab and Education and,
- 13th Street

NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues consist primarily of property taxes levied by the Hospital and interest income reported as investment earnings.

The Hospital's Non-operating Revenues and Expenses increased by \$52,174 comparing fiscal 2009 versus 2008. The Hospital increased its tax asking by \$89,335. Interest expense increased by \$36,971 as a result of completing the construction projects funded by the 2006 Bond issue.

THE HOSPITAL'S CASH FLOW

Changes in the Hospital's cash flows are consistent with changes in operating losses and non-operating revenues and expenses, as discussed earlier. Cash flows provided by operating activities for 2009 were \$803,216. Comparatively, for fiscal 2008, cash flows used in operating activities were \$36,137, a net change of \$839,353. This change was due to significantly increased cash receipts, and increasing expenses that were less than the increase in cash receipts. The increases in expenses were primarily in a couple areas. First, staffing of the Emergency Department, Panora and Adair Clinics was changed to better serve the community. Finally, investments were continued to be made in the Hospital's physical plant.

BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2009 was prepared on the modified accrual basis. Actual budget basis revenues were higher than the budgeted amount of \$10,736,660 by \$335,571 or about 3.1 percent. Actual expenditures were lower than budgeted expenditures. Actual budget basis expenditures were \$10,373,495 as compared to budgeted expenditures of \$10,491,000, a difference of \$117,505 or about 1.1 percent.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

During the fiscal year, the Hospital made capital investments totaling \$2,312,535. The Hospital invested \$2,202,618 in construction in progress during 2009, but capitalized \$1,893,130 to end the year with a balance of \$563,874. The following table, Table 3, presents a list of significant capital items:

Table 3
Capital Investments

<u>Capital Investments</u>	<u>Vendor</u>	<u>Department</u>	<u>2009 Cost</u>
Operating Room Addition	Oakview Construction	Operating Room	\$ 1,376,351
Rehab and Education Addition	Roy Sargent Building	Cardiac Rehab	305,568
Lights and Booms	Skytron	Operating Room	147,953
Bone Density Machine	Brown's Medical Imaging	Radiology	72,906

Capital assets for the years ended June 30, 2009 and 2008 are shown in the following table, Table 4:

Table 4
Capital Assets

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land and land improvements	\$ 458,551	\$ 357,452	\$ 301,319
Buildings	8,157,269	6,443,304	4,976,956
Fixed equipment	1,560,083	1,546,442	1,329,509
Major movable equipment	<u>3,303,897</u>	<u>2,829,736</u>	<u>2,582,670</u>
Subtotal	13,479,800	11,176,934	9,190,454
Less accumulated depreciation	5,907,814	5,223,417	4,990,229
Construction in progress	<u>563,874</u>	<u>254,386</u>	<u>1,041,689</u>
Net capital assets	<u>\$ 8,135,860</u>	<u>\$ 6,207,903</u>	<u>\$ 5,241,914</u>

Net capital assets increased as the Hospital has upgraded existing facilities and equipment. The Hospital is also in the process of building new space to accommodate increasing outpatient services. See discussion in the section titled CURRENTLY KNOWN FACTS.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

Debt:

At year-end, the Hospital had \$2,007,500 in short-term and long-term debt. The total debt amount decreased by \$67,272 in fiscal year 2009. More detailed information about the Hospital's long-term liabilities is presented in the notes to the basic financial statements.

Total debt outstanding represents approximately 15.8% of the Hospital's total assets at June 30, 2009.

CURRENTLY KNOWN FACTS

At the time these financial statements were prepared and audited, the Hospital had started its next phase of construction projects projected to cost approximately \$1,600,000. The projects include the construction of 4 new Patient Rooms and a new Health Information Systems Department. The project is mainly being funded by a 2009 Bond issue.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration.

GUTHRIE COUNTY HOSPITAL
Balance Sheets
June 30,

ASSETS

	2009	2008
Current Assets:		
Cash	\$ 1,426,524	\$ 749,607
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$386,500 in 2009, \$542,000 in 2008)	1,167,168	1,424,981
Other receivables	18,842	18,257
Inventory	197,114	201,612
Prepaid expense	96,163	67,738
Other current assets	27,490	22,526
Estimated third-party payor settlements	--	180,000
Succeeding year property tax receivable	1,250,400	1,241,200
Internally designated assets	357,774	342,040
Total current assets	4,541,475	4,247,961
Designated and Restricted Assets:		
Internally designated assets	277,218	1,072,920
Restricted assets	80,556	80,110
	357,774	1,153,030
Less amounts required to meet current liabilities	357,774	342,040
	--	810,990
Capital Assets:		
Depreciable capital assets, net	7,511,960	5,932,134
Non-depreciable capital assets	623,900	275,769
	8,135,860	6,207,903
Deferred Financing Costs	32,443	35,204
Notes Receivable	22,500	--
Total assets	\$ 12,732,278	\$ 11,302,058

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 190,000	\$ 194,772
Accounts payable	578,356	286,642
Accrued employee compensation	459,005	416,920
Payroll taxes withheld and accrued	28,429	16,554
Estimated third-party payor settlements	444,000	--
Accrued interest	--	118
Deferred revenue for succeeding year property tax receivable	<u>1,250,400</u>	<u>1,241,200</u>
Total current liabilities	2,950,190	2,156,206
Long-Term Debt:		
Note payable, less current maturities	97,500	--
Revenue bonds, less current maturities	<u>1,720,000</u>	<u>1,880,000</u>
Total long-term debt	<u>1,817,500</u>	<u>1,880,000</u>
Total liabilities	4,767,690	4,036,206
Net Assets:		
Invested in capital assets, net of related debt	5,779,942	4,021,067
Restricted - expendable	80,556	80,110
Unrestricted	<u>2,104,090</u>	<u>3,164,675</u>
Total net assets	<u>7,964,588</u>	<u>7,265,852</u>
Total liabilities and net assets	<u>\$ 12,732,278</u>	<u>\$ 11,302,058</u>

GUTHRIE COUNTY HOSPITAL
Statements of Revenues, Expenses and Changes in Net Assets
Year ended June 30,

	2009	2008
Revenue:		
Net patient service revenue	\$ 9,189,319	\$ 8,718,451
Other revenue	198,102	193,380
Total revenue	9,387,421	8,911,831
Expenses:		
Nursing service	2,711,572	2,344,060
Other professional service	2,968,298	2,801,717
Physician clinic service	764,943	613,047
General service	1,156,084	1,102,068
Fiscal and administrative service	1,947,726	1,758,202
Provision for depreciation	725,890	661,177
Total expenses	10,274,513	9,280,271
Operating Loss	(887,092)	(368,440)
Non-Operating Revenues (Expenses):		
County taxes	1,283,702	1,194,367
Investment income	38,054	52,034
Noncapital grants and contributions	40,479	21,927
Loss on disposal of property and equipment	(5,272)	(510)
Interest expense	(98,982)	(62,011)
Non-operating revenues, net	1,257,981	1,205,807
Excess of Revenues Over Expenses Before Capital Grants and Contributions	370,889	837,367
Capital Grants and Contributions	327,847	250,000
Increase in Net Assets	698,736	1,087,367
Net Assets Beginning of Year	7,265,852	6,178,485
Net Assets End of Year	\$ 7,964,588	\$ 7,265,852

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Statements of Cash Flows
Year ended June 30,

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 10,070,547	\$ 8,393,739
Cash paid to suppliers	(4,527,856)	(4,178,888)
Cash paid to employees	(4,937,577)	(4,444,368)
Other revenue	<u>198,102</u>	<u>193,380</u>
Net cash provided by (used in) operating activities	803,216	(36,137)
Cash flows from non-capital financing activities:		
County tax revenue	1,283,702	1,194,367
Noncapital grants and contributions	<u>40,479</u>	<u>21,927</u>
Net cash provided by non-capital financing activities	1,324,181	1,216,294
Cash flows from capital and related financing activities:		
Capital grants and contributions	327,847	250,000
Capital expenditures	(456,173)	(455,951)
Construction in progress expenditures	(1,970,900)	(1,149,462)
Principal paid on long-term debt	(217,272)	(261,470)
Proceeds from revenue bonds	--	1,600,000
Proceeds from note payable	150,000	--
Proceeds from sale of property and equipment	1,547	--
Interest paid	<u>(96,339)</u>	<u>(93,150)</u>
Net cash used in capital and related financing activities	(2,261,290)	(110,033)
Cash flows from investing activities:		
Investment income	38,054	52,034
Change in notes receivable	(22,500)	--
Change in designated and restricted assets	<u>304,098</u>	<u>(123,971)</u>
Net cash provided by (used in) investing activities	<u>319,652</u>	<u>(71,937)</u>
Net increase in cash and cash equivalents	185,759	998,187
Cash and cash equivalents at beginning of year	<u>1,464,827</u>	<u>466,640</u>
Cash and cash equivalents at end of year	<u>\$ 1,650,586</u>	<u>\$ 1,464,827</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	\$ 1,426,524	\$ 749,607
Cash and cash equivalents in designated and restricted assets	<u>224,062</u>	<u>715,220</u>
Total cash and cash equivalents	<u>\$ 1,650,586</u>	<u>\$ 1,464,827</u>

(continued next page)

GUTHRIE COUNTY HOSPITAL
Statements of Cash Flows - Continued
Year ended June 30,

	2009	2008
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$(887,092)	\$(368,440)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	725,890	661,177
Change in assets and liabilities		
Accounts receivable	257,228	(203,212)
Inventory	4,498	(37,746)
Prepaid expense	(28,425)	(4,943)
Other current assets	(4,964)	235
Accounts payable, trade	58,121	(10,111)
Accrued employee compensation	42,085	45,113
Payroll taxes withheld and accrued	11,875	3,290
Estimated third-party payor settlements	624,000	(121,500)
Total adjustments	1,690,308	332,303
Net cash provided by (used in) operating activities	\$ 803,216	\$(36,137)

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2009 and 2008

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

Guthrie County Hospital (the Hospital) is a critical access county hospital with related healthcare ancillary and outpatient services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital. The Hospital has identified one component unit: Guthrie County Hospital Foundation (the Foundation). Substantially all of the economic resources of the Foundation are designated for the direct benefit of the Hospital. The Hospital received \$327,381 in capital contributions from the Foundation during the year ended June 30, 2009 (\$250,000 in 2008). Blending of the Foundation with the Hospital would result in an increase in total net assets of approximately \$202,000 (\$283,000 in 2008) and a decrease in the change in net assets of approximately \$81,000 (\$129,000 decrease in 2008) for the year ended June 30, 2009.

2. Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), that do not conflict with or contradict GASB pronouncements.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including designated and restricted assets.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2009 and 2008

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

5. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market.

6. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

7. Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of two years and cost in excess of \$5,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (fifteen to forty years for buildings and land improvements and three to twenty years for equipment).

8. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital did not capitalize any interest cost in 2009 (\$33,124 in 2008).

9. Compensated Absences

Hospital employees earn vacation days at varying rates depending on years of service. Vacation time accumulates to a maximum of 150% of an employee's annual vacation time earned (maximum of 300 hours). Any excess accumulated over the maximum is to be used within 90 days. Certain employees have been allowed to accrue more than the maximum allowed vacation because these employees are unable to use their vacation due to their departments being understaffed. The computed amount of vacation benefits earned by year end is recorded as part of accrued employee compensation.

10. Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2009 and 2008

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

11. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

12. Property Tax Levy

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied. Property tax revenue is reported as non-operating revenue when collected by the County Treasurer.

13. Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

14. Restricted Resources

Use of restricted or unrestricted resources for individual projects is determined by the Hospital Board of Trustees based on the facts regarding each specific situation.

15. Net Assets

Net assets of the Hospital are classified in three components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net assets* are noncapital net assets that must be used for a particular purpose or permanent endowments, as specified by creditors, grantors, or contributors external to the Hospital. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt or restricted*.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2009 and 2008

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

16. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service depending on the timing of the charity determination.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid - Inpatient services and most outpatient services related to program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediaries. The Hospital's Medicare cost reports have been audited and finalized by the fiscal intermediary through June 30, 2007. The Hospital's Medicaid cost reports have been finalized by the fiscal intermediary through June 30, 2006. However, finalized cost reports are subject to re-opening by the intermediaries within three years after the date of finalization. Outpatient services not paid based on a cost reimbursement methodology are paid based on a prospectively determined fee schedule.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

NOTE C - RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Long-term debt	\$ 80,090	\$ 80,110
Purchase of property and equipment	<u>466</u>	<u>--</u>
	<u>\$ 80,556</u>	<u>\$ 80,110</u>

The Hospital has no restricted non-expendable net assets or endowments at June 30, 2009 or 2008.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2009 and 2008

NOTE C - RESTRICTED NET ASSETS - Continued

Following is a summary of the use of temporarily restricted net assets during the year ended June 30:

	2009	2008
Payment of long-term debt	\$ 20	\$ --
Purchase of property and equipment	327,381	250,000
	\$ 327,401	\$ 250,000

NOTE D - DESIGNATED NET ASSETS

Of the \$2,104,090 (\$3,164,675 as of June 30, 2008) of unrestricted net assets as of June 30, 2009, \$277,218 (\$1,072,920 for 2008) has been designated by the Hospital's Board of Trustees for capital acquisitions. These assets remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes.

NOTE E - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2009 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

The Hospital is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The composition of designated and restricted assets is as follows:

	2009	2008
Internally Designated Assets:		
Cash and cash equivalents	\$ 223,596	\$ 715,220
Certificates of deposit	52,879	354,884
GNMA pool	634	698
Interest receivable	109	2,118
	\$ 277,218	\$ 1,072,920
Restricted Assets:		
Certificates of deposit	\$ 80,090	\$ 80,110
Cash and cash equivalents	466	--
	\$ 80,556	\$ 80,110

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2009 and 2008

NOTE E - DEPOSITS AND INVESTMENTS - Continued

The Hospital's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

NOTE F - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2009 and 2008, was as follows:

	<u>2009</u>	<u>2008</u>
Receivable from:		
Patients	\$ 307,033	\$ 548,663
Medicare	555,036	573,534
Medicaid	42,931	117,442
Blue Cross	281,690	305,933
Other commercial insurance carriers	<u>366,978</u>	<u>421,409</u>
	1,553,668	1,966,981
Less allowances for doubtful accounts and contractual adjustments	<u>386,500</u>	<u>542,000</u>
	<u>\$ 1,167,168</u>	<u>\$ 1,424,981</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2009 and 2008

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2009 and 2008 were as follows:

<u>Cost</u>	<u>Balance 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2009</u>
Land Improvements	\$ 336,069	\$ 62,456	\$ --	\$ 398,525
Buildings	6,443,304	1,713,965	--	8,157,269
Fixed Equipment	1,546,442	13,641	--	1,560,083
Major Movable Equipment	<u>2,829,736</u>	<u>522,473</u>	<u>48,312</u>	<u>3,303,897</u>
	11,155,551	2,312,535	48,312	13,419,774
<u>Depreciation</u>				
Land Improvements	202,485	22,001	--	224,486
Buildings	2,513,893	283,171	--	2,797,064
Fixed Equipment	701,437	115,569	--	817,006
Major Movable Equipment	<u>1,805,602</u>	<u>305,149</u>	<u>41,493</u>	<u>2,069,258</u>
Total Depreciation	<u>5,223,417</u>	<u>725,890</u>	<u>41,493</u>	<u>5,907,814</u>
Total Depreciable Capital Assets, Net	<u>\$ 5,932,134</u>	<u>\$1,586,645</u>	<u>\$ 6,819</u>	<u>\$ 7,511,960</u>
Construction in Progress	\$ 254,386	\$2,202,618	\$1,893,130	\$ 563,874
Land	<u>21,383</u>	<u>38,643</u>	<u>--</u>	<u>60,026</u>
Total Non-Depreciable Capital Assets	<u>\$ 275,769</u>	<u>\$2,241,261</u>	<u>\$1,893,130</u>	<u>\$ 623,900</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2009 and 2008

NOTE G - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2008</u>
Land Improvements	\$ 279,936	\$ 56,133	\$ --	\$ 336,069
Buildings	4,976,956	1,466,348	--	6,443,304
Fixed Equipment	1,329,509	369,333	152,400	1,546,442
Major Movable Equipment	<u>2,582,670</u>	<u>523,165</u>	<u>276,099</u>	<u>2,829,736</u>
	9,169,071	2,414,979	428,499	11,155,551
<u>Depreciation</u>				
Land Improvements	184,618	17,867	--	202,485
Buildings	2,273,161	240,732	--	2,513,893
Fixed Equipment	750,124	103,713	152,400	701,437
Major Movable Equipment	<u>1,782,326</u>	<u>298,865</u>	<u>275,589</u>	<u>1,805,602</u>
Total Depreciation	<u>4,990,229</u>	<u>661,177</u>	<u>427,989</u>	<u>5,223,417</u>
Total Depreciable Capital Assets, Net	<u>\$ 4,178,842</u>	<u>\$1,753,802</u>	<u>\$ (510)</u>	<u>\$ 5,932,134</u>
Construction in Progress	\$ 1,041,689	\$1,175,915	\$1,963,218	\$ 254,386
Land	<u>21,383</u>	<u>--</u>	<u>--</u>	<u>21,383</u>
Total Non-Depreciable Capital Assets	<u>\$ 1,063,072</u>	<u>\$1,175,915</u>	<u>\$1,963,218</u>	<u>\$ 275,769</u>

NOTE H - NON-CURRENT LIABILITIES

A schedule of changes in the Hospital's non-current liabilities for the years ended June 30, 2009 and 2008 follows:

	<u>Balance 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2009</u>	<u>Current Portion</u>
Long-Term Debt:					
Rural Economic Development Loan	\$ --	\$ 150,000	\$ 22,500	\$ 127,500	\$ 30,000
Series 2006 Revenue Bonds	2,040,000	--	160,000	1,880,000	160,000
Capital Lease Obligations	<u>34,772</u>	<u>--</u>	<u>34,772</u>	<u>--</u>	<u>--</u>
Total Non-Current Liabilities	<u>\$2,074,772</u>	<u>\$ 150,000</u>	<u>\$ 217,272</u>	<u>\$2,007,500</u>	<u>\$ 190,000</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2009 and 2008

NOTE H - NON-CURRENT LIABILITIES - Continued

	<u>Balance</u> <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>2008</u>	<u>Current</u> <u>Portion</u>
Long-Term Debt:					
Series 2006 Revenue Bonds	\$ 600,000	\$1,600,000	\$(160,000)	\$2,040,000	\$ 160,000
Capital Lease Obligations	<u>136,242</u>	<u>--</u>	<u>(101,470)</u>	<u>34,772</u>	<u>34,772</u>
Total Non-Current Liabilities	<u>\$ 736,242</u>	<u>\$1,600,000</u>	<u>\$(261,470)</u>	<u>\$2,074,772</u>	<u>\$ 194,772</u>

In September, 2008, the Hospital borrowed \$150,000 through the Guthrie County Rural Electric Cooperative under the Rural Economic Development Loan and Grant Program. The loan is non-interest bearing and is payable in twenty equal quarterly installments commencing November 15, 2008. The loan is collateralized by the Hospital's net revenues.

The Series 2006 Hospital Revenue Bonds were issued in May, 2006 in a principal amount up to \$2,200,000. The bonds carry an interest rate of 4.85% per annum through September 30, 2009. On September 30, 2009 and again on September 30, 2012, 2015, and 2018, the rate will be adjusted to 0.50% over the "constant maturity" index of the three year U.S. Treasury Note rate in effect on those dates, provided however, that no adjusted interest rate shall be 2% higher or lower than the immediately preceding adjusted interest rate and no adjusted interest rate shall exceed 8% per annum or be less than 4% per annum. The bonds mature in quarterly installments of principal in the amount of \$40,000 plus interest. The bonds are payable from and secured by a lien on net revenues of the Hospital.

The combined annual debt service on the loan and bonds is expected to require less than 25% of cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately \$321,000 and \$1,525,000, respectively.

Under the terms of the bond resolution, the Hospital is required to maintain certain deposits with a bank. Such deposits are included with restricted assets in the financial statements. The bond resolution also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding. The Hospital is subject to a prepayment penalty of 3% of the unpaid principal balance if such prepayment is on or before the first interest rate adjustment date.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2009 and 2008

NOTE H - NON-CURRENT LIABILITIES - Continued

Scheduled principal and interest repayments on long-term debt are as follows:

Year Ending June 30,	Long-Term Debt		Total
	Principal	Interest	
2010	\$ 190,000	\$ 88,270	\$ 278,270
2011	190,000	80,510	270,510
2012	190,000	72,750	262,750
2013	190,000	64,990	254,990
2014	167,500	57,230	224,730
2015-2019	800,000	169,750	969,750
2020-2021	280,000	13,580	293,580
	<u>\$ 2,007,500</u>	<u>\$ 547,080</u>	<u>\$ 2,554,580</u>

NOTE I - EMPLOYEE RETIREMENT AND DEFINED BENEFIT PENSION PLAN

The Hospital contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% (4.30% beginning July 1, 2009) of their annual salary and the Hospital is required to contribute 6.35% (6.65% beginning July 1, 2009) of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007, were approximately \$311,100, \$270,200, and \$249,200, respectively, equal to the required contributions for each year.

NOTE J - COMMITMENTS AND CONTINGENCIES

Other Post Employment Benefits (OPEB)

The Hospital implemented GASB Statement No. 45 Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions during the year ended June 30, 2009.

Plan Description: As required by state law, the Hospital offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all Hospital employees, and the retiree must pay a health insurance premium equal to that charged for current employees.

Potential for Liability: A review of the Hospital's current and potential future exposure to this requirement resulted in the conclusion that no material liability exists. Therefore no liability has been recorded.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2009 and 2008

NOTE J - COMMITMENTS AND CONTINGENCIES - Continued

Note Payable

The Hospital has entered into an agreement with the Guthrie County Rural Electric Cooperative Association (the cooperative) under the Rural Economic Development Loan and Grant Program. Under the terms of the agreement, \$183,050 was advanced to the Hospital through a non-interest bearing note, payable in 40 equal quarterly installments through June, 2013. Through a separate agreement, the Hospital subsequently loaned the \$183,050 to Little Panther Daycare (the daycare) to be used for the construction of a daycare facility in Panora, Iowa. This note receivable from the daycare is also non-interest bearing. It is payable in 120 equal monthly installments through June, 2013 and is secured by a mortgage agreement on the daycare's assets. The note receivable from the daycare is further guaranteed by three area businesses who each separately entered into agreements with the Hospital guaranteeing 25% of the total amount owed by the daycare to the Hospital after the sale of collateral. The offsetting note receivable and note payable of \$73,220 at June 30, 2009 (\$91,525 at June 30, 2008) have not been recorded on the Hospital's balance sheet.

Risk Management

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Guthrie County Hospital is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the past three fiscal years.

Notes Receivable

The notes receivable represent funds advanced under an agreement with a healthcare professional now practicing in the community. The agreement includes commitments by the healthcare professional to provide medical services in the community for a specified period of years. In exchange for the commitments of time and services, the Hospital will forgive the notes over the term of the commitments.

Construction in Progress

During the year ended June 30, 2009, the Hospital acquired land adjacent to the Hospital's existing facilities and began work on a new street and additional parking areas to provide better access to the Hospital. The project has a total cost of approximately \$593,000. At June 30, 2009, costs incurred on the project totaled \$474,382. Funding for the project is being provided by funds generated internally. The remaining \$89,492 of construction in progress at June 30, 2009 consists primarily of architects' fees associated with an addition to the Hospital. Subsequent to year end, the Hospital entered into construction agreements associated with the addition. Total cost for the addition project is estimated to be \$1,600,000, with funding to be provided through the issuance of \$1,430,000 of Hospital Revenue Bonds and by funds generated internally.

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REQUIRED SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
 Budgetary Comparison Schedule
 Year Ended June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustments result from accounting for interest and net assets differently for financial statement and budget purposes.

	Per Financial Statements			
	Unrestricted Fund	Restricted Fund	Total	
Amount raised by taxation	\$ 1,283,702	\$ --	\$ 1,283,702	
Other revenues	9,361,700	327,847	9,689,547	
Transfers in (out)	<u>327,381</u>	<u>(327,381)</u>	<u>--</u>	
	10,972,783	466	10,973,249	
Expenses	<u>10,274,513</u>	<u>--</u>	<u>10,274,513</u>	
Net	698,270	466	698,736	
Balance beginning of year	<u>7,265,852</u>	<u>--</u>	<u>7,265,852</u>	
Balance end of year	<u>\$ 7,964,122</u>	<u>\$ 466</u>	<u>\$ 7,964,588</u>	
	Total Per Financial Statements	Budget Adjustments	Budget Basis	Amended Budget
Amount raised by taxation	\$ 1,283,702	\$ --	\$ 1,283,702	\$ 1,241,200
Other revenues	<u>9,689,547</u>	<u>98,982</u>	<u>9,788,529</u>	<u>9,495,460</u>
	10,973,249	98,982	11,072,231	10,736,660
Expenses	<u>10,274,513</u>	<u>98,982</u>	<u>10,373,495</u>	<u>10,491,000</u>
Net	698,736	--	698,736	245,660
Balance beginning of year	<u>7,265,852</u>	<u>(350,067)</u>	<u>6,915,785</u>	<u>6,915,785</u>
Balance end of year	<u>\$ 7,964,588</u>	<u>\$(350,067)</u>	<u>\$ 7,614,521</u>	<u>\$ 7,161,445</u>

See Independent Auditor's Report.

ACCOMPANYING INFORMATION

GUTHRIE COUNTY HOSPITAL
Patient Receivables
June 30,

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>Percent To Total</u>	<u>Amount</u>	<u>Percent To Total</u>
In hospital - 30	\$ 1,012,058	65%	\$ 1,061,987	54%
31 - 60	274,790	18	355,594	18
61 - 90	101,318	7	142,525	7
91 - 150	85,685	5	227,315	12
151 - 180	37,651	2	46,561	2
181 and over	42,166	3	132,999	7
	<u>1,553,668</u>	<u>100%</u>	<u>1,966,981</u>	<u>100%</u>
Allowance for doubtful accounts	137,500		255,000	
Allowance for contractual adjustments	<u>249,000</u>		<u>287,000</u>	
	<u>\$ 1,167,168</u>		<u>\$ 1,424,981</u>	

Allowance for Doubtful Accounts:

	<u>Year ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Balance, beginning	\$ 255,000	\$ 196,000
Provision for bad debts	451,620	366,461
Recoveries of accounts previously written off	<u>363,164</u>	<u>583,927</u>
	1,069,784	1,146,388
Accounts written off	<u>932,284</u>	<u>891,388</u>
Balance, ending	<u>\$ 137,500</u>	<u>\$ 255,000</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Inventory/Prepaid Expense
June 30,

	2009	2008
<u>Inventory</u>		
Medical and surgical supplies	\$ 61,590	\$ 59,438
Laboratory	25,518	28,226
Pharmacy	90,787	94,729
Other	19,219	19,219
	\$ 197,114	\$ 201,612
 <u>Prepaid Expense</u>		
Insurance	\$ 12,256	\$ 11,090
Service contracts and dues	83,907	56,648
	\$ 96,163	\$ 67,738

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Patient Service Revenue
Year ended June 30,

	2009	
	Inpatient	Outpatient
Daily Patient Services:		
Medical, surgical and obstetric	\$ 942,709	\$ --
Special care	1,468	--
Swing bed	--	--
	944,177	--
Other Nursing Services:		
Cardiac rehabilitation	--	180,820
Operating and recovery rooms	28,083	614,069
Emergency room	90,685	839,493
Central services and supply	49,700	139,454
Intravenous therapy	37,001	39,816
Observation	74,888	317,190
	280,357	2,130,842
Other Professional Services:		
Laboratory	287,957	1,986,449
Blood	10,524	41,105
Electrocardiology	25,002	93,758
Radiology	39,476	370,813
CT scan	153,012	1,194,546
Ultrasound	10,536	267,098
Mammography	--	115,085
Nuclear imaging	--	28,823
MRI	11,400	441,654
Pharmacy	232,496	531,832
Anesthesia	6,942	131,942
Respiratory therapy	268,878	213,162
Speech therapy	1,473	16,551
Physical therapy	28,799	572,339
Occupational therapy	2,886	122,879
Neurology	--	--
Outpatient clinics	285	48,068
Diabetic education	--	20,875
Hospice	--	--
Clinic professional fees	--	--
	1,079,666	6,196,979
	\$ 2,304,200	\$ 8,327,821

See Independent Auditor's Report.

	2009		2008	
Swing Bed	Clinic	Total	Total	
\$ --	\$ --	\$ 942,709	\$ 724,920	
--	--	1,468	--	
<u>387,040</u>	<u>--</u>	<u>387,040</u>	<u>229,145</u>	
387,040	--	1,331,217	954,065	
--	--	180,820	119,354	
630	--	642,782	667,485	
158	--	930,336	899,161	
16,108	--	205,262	159,766	
12,062	--	88,879	87,463	
<u>--</u>	<u>--</u>	<u>392,078</u>	<u>438,380</u>	
28,958	--	2,440,157	2,371,609	
93,349	9,704	2,377,459	2,232,588	
1,326	--	52,955	36,041	
2,646	--	121,406	114,518	
12,756	--	423,045	455,295	
7,676	--	1,355,234	1,290,767	
4,215	--	281,849	260,749	
--	--	115,085	121,982	
--	--	28,823	16,324	
1,838	--	454,892	569,461	
231,558	82,930	1,078,816	1,239,306	
270	--	139,154	233,575	
267,685	--	749,725	603,019	
6,015	--	24,039	42,401	
150,939	--	752,077	669,606	
36,820	--	162,585	126,883	
--	--	--	12,168	
--	--	48,353	52,440	
--	--	20,875	26,645	
40,480	--	40,480	33,631	
<u>--</u>	<u>404,379</u>	<u>404,379</u>	<u>415,767</u>	
<u>857,573</u>	<u>497,013</u>	<u>8,631,231</u>	<u>8,553,166</u>	
<u>\$ 1,273,571</u>	<u>\$ 497,013</u>	<u>\$ 12,402,605</u>	<u>\$ 11,878,840</u>	

GUTHRIE COUNTY HOSPITAL
Revenue and Related Adjustments
Year ended June 30,

	2009	2008
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 12,402,605	\$ 11,878,840
Contractual adjustments	(2,678,902)	(2,765,968)
Provision for bad debts	(451,620)	(366,461)
Charity care	(82,764)	(27,960)
	<u>\$ 9,189,319</u>	<u>\$ 8,718,451</u>
<u>Other Revenue</u>		
Dietary revenue	\$ 18,247	\$ 19,270
Congregate meals	55,956	56,840
Ancillary service coverage revenue	22,661	22,397
Outpatient clinic rental	33,555	32,694
Fitness center	53,378	49,165
Wellness revenue	3,340	3,468
Pharmacy student income	8,500	6,000
Miscellaneous income	2,465	3,546
	<u>\$ 198,102</u>	<u>\$ 193,380</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses
Year ended June 30,

	2009	2008
Administrative:		
Salaries and wages	\$ 78,816	\$ 74,452
Employee benefits	15,684	14,112
Supplies and other expense	<u>1,159</u>	<u>2,987</u>
	95,659	91,551
Medical, Surgical and Obstetric:		
Salaries and wages	846,237	760,349
Employee benefits	243,910	207,311
Supplies and other expense	<u>111,424</u>	<u>86,226</u>
	1,201,571	1,053,886
Cardiac Rehabilitation:		
Salaries and wages	76,634	53,802
Employee benefits	10,600	7,585
Supplies and other expense	<u>24,753</u>	<u>2,802</u>
	111,987	64,189
Operating and Recovery Rooms:		
Salaries and wages	60,168	53,094
Employee benefits	15,877	15,543
Supplies and other expense	<u>109,282</u>	<u>102,207</u>
	185,327	170,844
Emergency Room:		
Salaries and wages	142,091	119,996
Employee benefits	37,333	29,667
Supplies and other expense	<u>73,206</u>	<u>55,865</u>
	252,630	205,528
Emergency Room Professional:		
Salaries and wages	396,192	347,706
Employee benefits	60,766	59,025
Professional fees	<u>295,315</u>	<u>248,863</u>
	752,273	655,594

(continued next page)

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses - Continued
Year ended June 30,

	2009	2008
Central Services and Supply:		
Salaries and wages	\$ 67,128	\$ 65,514
Employee benefits	28,731	23,388
Supplies and other expense	13,879	10,660
	109,738	99,562
 Intravenous Therapy:		
Supplies and other expense	2,387	2,906
	\$ 2,711,572	\$ 2,344,060

SUMMARY

Salaries and wages	\$ 1,667,266	\$ 1,474,913
Employee benefits	412,901	356,631
Professional fees	295,315	248,863
Other expense	336,090	263,653
	\$ 2,711,572	\$ 2,344,060

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses
Year ended June 30,

	<u>2009</u>	<u>2008</u>
Laboratory:		
Salaries and wages	\$ 251,754	\$ 246,002
Employee benefits	87,924	78,509
Professional fees	4,594	3,763
Supplies and other expense	<u>256,989</u>	<u>274,454</u>
	601,261	602,728
Blood:		
Blood	34,548	19,473
Supplies and other expense	<u>56</u>	<u>232</u>
	34,604	19,705
Electrocardiology:		
Salaries and wages	5,298	4,586
Employee benefits	1,284	1,237
Supplies and other expense	<u>2,897</u>	<u>444</u>
	9,479	6,267
Radiology:		
Salaries and wages	200,311	194,341
Employee benefits	50,834	44,894
Supplies and other expense	<u>97,358</u>	<u>37,587</u>
	348,503	276,822
CT Scan:		
Salaries and wages	18,465	17,964
Employee benefits	3,933	3,927
Supplies and other expense	<u>109,557</u>	<u>99,483</u>
	131,955	121,374
Ultrasound:		
Salaries and wages	7,262	6,679
Employee benefits	2,450	2,157
Supplies and other expense	<u>32,823</u>	<u>22,747</u>
	42,535	31,583
Mammography:		
Salaries and wages	6,529	6,966
Employee benefits	1,563	1,594
Supplies and other expense	<u>11,530</u>	<u>9,771</u>
	19,622	18,331

(continued next page)

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2009</u>	<u>2008</u>
Nuclear Imaging:		
Supplies and other expense	\$ 13,873	\$ 7,967
MRI:		
Supplies and other expense	61,975	83,109
Pharmacy:		
Salaries and wages	284,330	266,099
Employee benefits	69,971	63,946
Professional fees	1,767	1,854
Drugs	203,023	254,446
Supplies and other expense	<u>20,860</u>	<u>26,907</u>
	579,951	613,252
Anesthesia:		
Professional fees	107,400	109,340
Supplies and other expense	<u>4,424</u>	<u>3,729</u>
	111,824	113,069
Respiratory Therapy:		
Salaries and wages	101,922	94,874
Employee benefits	18,720	16,385
Oxygen, supplies and other expense	<u>80,995</u>	<u>78,162</u>
	201,637	189,421
Speech Therapy:		
Professional fees	18,408	20,087
Supplies and other expense	<u>--</u>	<u>152</u>
	18,408	20,239
Physical Therapy:		
Salaries and wages	223,667	203,520
Employee benefits	66,843	52,360
Supplies and other expense	<u>19,983</u>	<u>21,631</u>
	310,493	277,511
Occupational Therapy:		
Professional fees	56,080	46,660
Supplies and other expense	<u>574</u>	<u>176</u>
	56,654	46,836

(continued next page)

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	2009	2008
Neurology:		
Salaries and wages	\$ --	\$ 7,007
Employee benefits	--	961
	--	7,968
Medical Records:		
Salaries and wages	177,483	153,766
Employee benefits	50,319	37,541
Supplies and other expense	35,431	35,535
	263,233	226,842
Social Services:		
Salaries and wages	33,425	29,046
Employee benefits	11,162	5,408
Supplies and other expense	856	663
	45,443	35,117
Outpatient Clinics:		
Salaries and wages	28,596	28,194
Employee benefits	7,160	6,720
Supplies and other expense	3,175	6,112
	38,931	41,026
Fitness Center:		
Salaries and wages	38,355	30,843
Employee benefits	12,657	7,843
Supplies and other expense	6,058	4,542
	57,070	43,228
Diabetic Education:		
Salaries and wages	16,987	16,335
Employee benefits	2,518	2,253
Supplies and other expense	1,342	734
	20,847	19,322
	\$ 2,968,298	\$ 2,801,717

SUMMARY

Salaries and wages	\$ 1,394,384	\$ 1,306,222
Employee benefits	387,338	325,735
Professional fees	188,249	181,704
Other expense	998,327	988,056
	\$ 2,968,298	\$ 2,801,717

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Physician Clinic Service Expenses
Year ended June 30,

	2009	2008
Physician Service:		
Salaries and wages	\$ 222,396	\$ 170,178
Employee benefits	41,249	27,519
Professional fees	44,134	47,700
Supplies and other expense	31,896	7,511
	339,675	252,908
Nursing Service:		
Salaries and wages	86,294	69,696
Employee benefits	32,529	24,221
Medical supplies	43,093	39,420
Supplies and other expense	5,915	11,529
	167,831	144,866
Business Office:		
Salaries and wages	131,250	107,807
Employee benefits	38,543	25,812
Supplies and other expense	61,096	52,335
	230,889	185,954
Occupancy Costs:		
Rent	3,344	4,226
Utilities	23,204	25,093
	26,548	29,319
	\$ 764,943	\$ 613,047

SUMMARY

Salaries and wages	\$ 439,940	\$ 347,681
Employee benefits	112,321	77,552
Professional fees	44,134	47,700
Other expense	168,548	140,114
	\$ 764,943	\$ 613,047

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
General Service Expenses
Year ended June 30,

	2009	2008
Dietary:		
Salaries and wages	\$ 156,155	\$ 180,085
Employee benefits	68,046	66,538
Food	106,691	105,590
Supplies and other expense	25,165	25,275
	356,057	377,488
Operation of Plant:		
Salaries and wages	222,790	181,234
Employee benefits	52,027	40,630
Electricity	103,130	93,142
Gas	105,800	98,122
Supplies and other expense	92,241	113,219
	575,988	526,347
Housekeeping:		
Salaries and wages	123,014	116,526
Employee benefits	65,427	52,854
Supplies and other expense	25,015	22,691
	213,456	192,071
Laundry and Linen:		
Purchased services	8,317	5,022
Supplies and other expense	2,266	1,140
	10,583	6,162
	\$ 1,156,084	\$ 1,102,068

SUMMARY

Salaries and wages	\$ 501,959	\$ 477,845
Employee benefits	185,500	160,022
Other expense	468,625	464,201
	\$ 1,156,084	\$ 1,102,068

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Fiscal and Administrative Service Expenses
Year ended June 30,

	<u>2009</u>	<u>2008</u>
Fiscal and Administrative:		
Salaries and wages	\$ 632,378	\$ 580,949
Employee benefits	168,585	159,592
Advertising	27,834	42,969
Telephone	23,151	24,567
Supplies and minor equipment	35,729	41,335
Collection expense	50,070	38,541
Computer maintenance	42,067	33,034
Education and meetings	12,538	6,568
Professional fees	115,237	75,749
Printing and postage	5,666	5,196
Purchased services	21,330	19,262
Dues and subscriptions	<u>14,822</u>	<u>15,577</u>
	1,149,407	1,043,339
Admissions Office:		
Salaries and wages	126,681	113,077
Employee benefits	43,763	39,651
Supplies and other expense	<u>10,542</u>	<u>24,671</u>
	180,986	177,399
Information Systems:		
Salaries and wages	94,131	71,400
Employee benefits	31,357	22,569
Supplies and other expense	<u>14,577</u>	<u>30,984</u>
	140,065	124,953
Employee Welfare:		
Salaries and wages	122,923	117,394
Employee benefits	26,890	19,331
Group health and life benefit	73,478	58,985
Workers' compensation insurance	75,557	49,583
Unemployment expense	3,606	10,800
Supplies and other expense	<u>92,148</u>	<u>64,917</u>
	394,602	321,010
Insurance:		
Liability and property insurance	<u>82,666</u>	<u>91,501</u>
	<u>\$ 1,947,726</u>	<u>\$ 1,758,202</u>

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GUTHRIE COUNTY HOSPITAL
 Fiscal and Administrative Service Expenses - Continued
 Year ended June 30,

	2009	2008
<u>SUMMARY</u>		
Salaries and wages	\$ 976,113	\$ 882,820
Employee benefits	515,384	425,428
Professional fees	115,237	75,749
Other expense	340,992	374,205
	\$ 1,947,726	\$ 1,758,202

<u>SUMMARY OF EXPENSES</u>		
Salaries and wages	\$ 4,979,662	\$ 4,489,481
Employee benefits	1,613,444	1,345,368
Professional fees	642,935	554,016
Other expense	2,312,582	2,230,229
	\$ 9,548,623	\$ 8,619,094

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GUTHRIE COUNTY HOSPITAL
Comparative Statistics
Year ended June 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Acute Care:					
Admissions	357	280	316	302	322
Discharges	356	283	317	304	316
Patient days	1,033	810	919	896	904
Average length of stay	2.90	2.86	2.90	2.95	2.86
Average occupied beds	2.8	2.2	2.5	2.5	2.5
Swing Bed Program:					
Admissions	160	120	127	118	134
Discharges	163	117	128	115	135
Patient days	1,180	737	799	718	887
Combined Average Occupied Beds	6.1	4.2	4.7	4.4	4.9
Outpatient Occasions of Service	30,356	29,492	26,402	25,285	24,880

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Comparative Balance Sheets
June 30,

	2009	2008
Current Assets:		
Cash	\$ 1,426,524	\$ 749,607
Patient receivables, net	1,167,168	1,424,981
Other receivables	18,842	18,257
Inventory	197,114	201,612
Prepaid expense	96,163	67,738
Other current assets	27,490	22,526
Estimated third-party payor settlements	--	180,000
Succeeding year property tax receivable	1,250,400	1,241,200
Internally designated assets	357,774	342,040
Total current assets	4,541,475	4,247,961
Other Assets:		
Designated and restricted assets, net	--	810,990
Capital assets, net	8,135,860	6,207,903
Deferred financing costs	32,443	35,204
Notes receivable	22,500	--
Total other assets	8,190,803	7,054,097
Total assets	\$ 12,732,278	\$ 11,302,058
Current Liabilities:		
Current maturities of long-term debt	\$ 190,000	\$ 194,772
Accounts payable	578,356	286,642
Accrued expenses	487,434	433,474
Estimated third-party payor settlements	444,000	--
Accrued interest	--	118
Deferred revenue for succeeding year property tax receivable	1,250,400	1,241,200
Total current liabilities	2,950,190	2,156,206
Long-Term Debt, Net	1,817,500	1,880,000
Total liabilities	4,767,690	4,036,206
Net Assets	7,964,588	7,265,852
Total liabilities and net assets	\$ 12,732,278	\$ 11,302,058

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<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 463,003	\$ 555,869	\$ 551,187
1,215,436	1,105,626	988,450
24,590	39,414	16,993
163,866	171,111	155,125
62,795	65,148	68,063
22,761	15,156	24,529
58,500	--	--
1,156,100	1,241,400	802,000
<u>317,476</u>	<u>188,137</u>	<u>211,564</u>
<u>3,484,527</u>	<u>3,381,861</u>	<u>2,817,911</u>
--	235,688	1,194,726
5,241,914	3,833,797	3,098,830
37,506	36,000	1,605
--	--	--
<u>5,279,420</u>	<u>4,105,485</u>	<u>4,295,161</u>
<u>\$ 8,763,947</u>	<u>\$ 7,487,346</u>	<u>\$ 7,113,072</u>
\$ 262,000	\$ 97,500	\$ 166,400
307,614	285,159	187,637
385,071	294,110	390,873
--	1,000	267,000
435	875	2,271
<u>1,156,100</u>	<u>1,241,400</u>	<u>802,000</u>
<u>2,111,220</u>	<u>1,920,044</u>	<u>1,816,181</u>
<u>474,242</u>	<u>336,270</u>	<u>528,790</u>
2,585,462	2,256,314	2,344,971
<u>6,178,485</u>	<u>5,231,032</u>	<u>4,768,101</u>
<u>\$ 8,763,947</u>	<u>\$ 7,487,346</u>	<u>\$ 7,113,072</u>

GUTHRIE COUNTY HOSPITAL
 Comparative Statements of Revenues, Expenses and Changes in Net Assets
 Year ended June 30,

	<u>2009</u>	<u>2008</u>
Patient Service Revenue	\$ 12,402,605	\$ 11,878,840
Adjustments to Patient Service Revenue	<u>(3,213,286)</u>	<u>(3,160,389)</u>
Net Patient Service Revenue	9,189,319	8,718,451
Other Revenue	<u>198,102</u>	<u>193,380</u>
Total Revenue	9,387,421	8,911,831
Expenses	<u>10,274,513</u>	<u>9,280,271</u>
Operating Loss	(887,092)	(368,440)
Non-Operating Revenues, Net	<u>1,257,981</u>	<u>1,205,807</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	370,889	837,367
Capital Grants and Contributions	<u>327,847</u>	<u>250,000</u>
Increase in Net Assets	<u>\$ 698,736</u>	<u>\$ 1,087,367</u>

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<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 10,436,866	\$ 9,282,260	\$ 7,750,823
(2,569,052)	(1,865,805)	(1,573,924)
7,867,814	7,416,455	6,176,899
<u>212,791</u>	<u>203,416</u>	<u>177,679</u>
8,080,605	7,619,871	6,354,578
<u>8,499,470</u>	<u>8,074,333</u>	<u>7,007,930</u>
(418,865)	(454,462)	(653,352)
<u>1,335,818</u>	<u>861,293</u>	<u>869,897</u>
916,953	406,831	216,545
<u>30,500</u>	<u>56,100</u>	<u>209,971</u>
<u>\$ 947,453</u>	<u>\$ 462,931</u>	<u>\$ 426,516</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

We have audited the financial statements of Guthrie County Hospital as of and for the year ended June 30, 2009, and have issued our report thereon dated September 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Guthrie County Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Guthrie County Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Hospital's ability to initiate, authorize, record, process, or report financial data reliably, in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood a misstatement of the Hospital's financial statements, that is more than inconsequential, will not be prevented or detected by the Hospital's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

To the Board of Trustees
Guthrie County Hospital

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Hospital's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guthrie County Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Guthrie County Hospital's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Hospital's responses, we did not audit the Hospital's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Guthrie County Hospital and other parties to whom the Hospital may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Stonehill, Bell, Kyles & Co. P.C.

Atlantic, Iowa
September 16, 2009

GUTHRIE COUNTY HOSPITAL
Schedule of Findings
Year ended June 30, 2009

PART I - SIGNIFICANT DEFICIENCIES

09-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Hospital. This deficiency is common among most small rural Hospitals.

Recommendation: We recognize that it may not be economically feasible for the Hospital to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Hospital to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

PART II - REQUIRED STATUTORY REPORTING

09-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2009 did not exceed the amount budgeted.

09-II-B Questionable Expenditures: During the audit, we noted a certain expenditure approved in the Board minutes that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979. The expense was as follows:

<u> Paid to </u>	<u> Purpose </u>	<u> Amount </u>
Various Organizations	Employee Recognition Dinner	\$ 3,737

Recommendation: We recommend that the Board continue to authorize and document the public purpose of such an expenditure before authorization is given.

Response: The expenditure is considered part of the employee benefit package and the Board feels they meet the requirements of public purpose as defined by the Attorney General's opinion dated April 25, 1979.

Conclusion: Response accepted.

09-II-C Travel Expenses: No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

GUTHRIE COUNTY HOSPITAL
 Schedule of Findings
 Year ended June 30, 2009

PART II - REQUIRED STATUTORY REPORTING - Continued

09-II-D Business Transactions: Business transactions between the Hospital and Hospital officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Michelle Benner, Billing Office employee, wife of owner of Adam Benner Trucking & Dozing	Skid loader work	\$ 3,957
Danielle Navarro, Director of Nursing	Rent to house medical students	500

The transactions with Adam Benner Trucking & Dozing do not appear to represent conflicts of interest since Michelle Benner is not in a management position and does not make purchasing decisions.

The transactions with Danielle Navarro do not appear to represent conflicts of interest since the purchases are less than \$1,500.

09-II-E Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

09-II-F Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Hospital's investment policy.

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