

GUTHRIE COUNTY HOSPITAL
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2014 AND 2013

GUTHRIE COUNTY HOSPITAL

CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS:	
Statements of Net Position	4
Statements of Revenues, Expenses and Changes in Net Position	5
Statements of Cash Flows	6
Notes to Financial Statements	8
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule	20
SUPPLEMENTARY INFORMATION:	
Schedules Supporting Statements of Net Position:	
Patient receivables	21
Inventory/Prepaid expense	22
Schedules Supporting Statements of Revenues, Expenses and Changes in Net Position:	
Patient service revenue	23
Revenue and related adjustments	24
Nursing service expenses	25
Other professional service expenses	27
Physician services expenses	30
General service expenses	31
Fiscal and administrative service expenses	32
Schedule of Expenditures of Federal Awards	34
Comparative Statistics	35
Comparative Statements of Net Position	36
Comparative Statements of Revenues, Expenses and Changes in Net Position	37
COMMENTS AND RECOMMENDATIONS:	
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	38
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	40
Schedule of Current Audit Findings and Questioned Costs	42

GUTHRIE COUNTY HOSPITAL
Officials
June 30, 2014

<u>Board of Trustees:</u>	<u>Address</u>	<u>Term Expires</u>
Roberta Simmons, Chairperson	Panora, Iowa	2018
Chris Schafer, Vice-Chairperson	Adair, Iowa	2016
Peg Shroyer, Secretary	Panora, Iowa	2014
Jim Robson, Treasurer	Guthrie Center, Iowa	2018
Mary Sheeder	Guthrie Center, Iowa	2016
Gene Newell	Guthrie Center, Iowa	2016
Ryan Ketelsen (appointed June, 2014)	Guthrie Center, Iowa	2014
Rodney Carr (resigned May, 2014)	Guthrie Center, Iowa	
<u>Chief Executive Officer:</u>		
Patrick Peters	Dexter, Iowa	
<u>Chief Financial Officer:</u>		
Melinda Alt	Audubon, Iowa	

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of net position of Guthrie County Hospital as of June 30, 2014 and 2013 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Trustees
Guthrie County Hospital

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Bases for Qualified Opinion

The financial statements do not include an estimate of an Other Post Employment Benefits (OPEB) liability for an implicit health insurance premium rate subsidy resulting from the legal requirement to allow employees retiring after age 55 to remain on the Hospital's healthcare plan until age 65. Accounting principles generally accepted in the United States of America require that any material liability resulting from this OPEB requirement be included in the financial statements (Note K).

The financial statements do not include financial data for the Hospital's legally separate component unit, Guthrie County Hospital Foundation. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the Hospital unless the Hospital also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Hospital has not issued such reporting entity financial statements (Notes A and J).

Qualified Opinion

In our opinion, except for the effect of not including an estimated OPEB liability for the implicit health insurance premium rate subsidy and the effect of omitting the blended component unit, as discussed in the previous section, the financial statements referred to above present fairly in all material respects, the financial position of Guthrie County Hospital as of June 30, 2014 and 2013 and the results of its operations, changes in financial position, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 3 through 3g and on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Guthrie County Hospital's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2012 (which are not presented herein) and expressed qualified opinions on those financial statements. The supplementary information on pages 1 and 21 through 37, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Trustees
Guthrie County Hospital

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2014 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, and contracts. 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 important for assessing the results of our audit.

Stonehill, Bell, Thayer + Co. P.C.

Atlantic, Iowa
September 22, 2014



The expertise you need. The personal care you want.

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, 2014 and 2013. We encourage readers to consider it in conjunction with the Hospital's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Hospital's total assets decreased approximately \$219,000 during fiscal year 2014. Net position, or total assets net of total liabilities, increased by approximately \$245,000 during fiscal 2014, an increase of approximately 2.4 percent.

The Hospital reported operating revenues for the year of \$12.9 million, a decrease of approximately \$7,300 or 0.05 percent. Net revenues, or revenues after all expenditures, for 2014 were \$(279,000), an increase of \$89,000 from 2013.

The Hospital reported expenditures for the year of \$14.7 million, a decrease of approximately \$76,000 or 0.5 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 Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; 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 Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position; 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 position and changes in it. You can think of the Hospital's net position - 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 position is 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 Statements of Net Position 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 Position. 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 POSITION

The Hospital's net position is the difference between its assets and liabilities reported in the Statement of Net Position on page 4. The following table, Table 1, presents a summary of the Hospital's Statements of Net Position.

**Table 1
Condensed Statements of Net Position**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current assets	\$ 5,699,293	\$ 5,166,519	\$ 6,066,554
Capital assets, net	10,937,540	11,668,217	10,825,265
Other noncurrent assets	<u>100,856</u>	<u>121,844</u>	<u>142,832</u>
Total assets	<u>\$ 16,737,689</u>	<u>\$ 16,956,580</u>	<u>\$ 17,034,651</u>
Liabilities:			
Current liabilities	\$ 1,688,369	\$ 1,877,359	\$ 1,546,833
Long-term debt	<u>2,670,431</u>	<u>3,266,354</u>	<u>3,865,991</u>
Total liabilities	4,358,800	5,143,713	5,412,824
Deferred Inflows of Resources	1,860,500	1,539,000	1,529,000
Net Position:			
Invested in capital assets, net of related debt	7,663,785	7,542,508	6,301,704
Restricted - expendable	241,616	243,435	241,072
Unrestricted	<u>2,612,988</u>	<u>2,487,924</u>	<u>3,550,051</u>
Total net position	<u>10,518,389</u>	<u>10,273,867</u>	<u>10,092,827</u>
Total liabilities and net position	<u>\$ 16,737,689</u>	<u>\$ 16,956,580</u>	<u>\$ 17,034,651</u>

A significant component of the change in the Hospital's assets is the cash balance as the construction projects have been completed. See related discussion in the CAPITAL ASSETS AND DEBT ADMINISTRATION section.

The most significant component of the change in the Hospital's liabilities was an increase in accounts payable related to capital items.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION

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, 2014, 2013, and 2012.

Table 2
Condensed Operating Results and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenue:			
Net patient service revenue	\$ 12,718,690	\$ 12,757,643	\$ 12,483,980
Other revenue	<u>219,760</u>	<u>188,059</u>	<u>189,792</u>
Total revenue	<u>12,938,450</u>	<u>12,945,702</u>	<u>12,673,772</u>
Expenses:			
Salaries and benefits	8,533,274	8,777,383	8,088,782
Professional fees	917,638	715,590	817,068
Supplies, contract services, equipment & other operating expenses	3,873,229	4,030,987	3,683,623
Depreciation and amortization	<u>1,363,102</u>	<u>1,239,214</u>	<u>1,187,178</u>
Total expenses	<u>14,687,243</u>	<u>14,763,174</u>	<u>13,776,651</u>
Operating Loss	<u>(1,748,793)</u>	<u>(1,817,472)</u>	<u>(1,102,879)</u>
Nonoperating Revenues and Expenses:			
County taxes	1,594,179	1,583,731	1,477,231
Investment income	2,303	2,705	7,528
Noncapital grants and contributions	23,086	24,475	47,900
Interest expense	(142,841)	(165,704)	(182,821)
Other nonoperating revenues and expenses, net	<u>(7,253)</u>	<u>4,364</u>	<u>--</u>
	<u>1,469,474</u>	<u>1,449,571</u>	<u>1,349,838</u>
Excess of Revenues Over Expenses (Expenses Over Revenues) Before Capital Grants and Contributions	(279,319)	(367,901)	246,959
Capital Grants and Contributions	<u>523,841</u>	<u>548,941</u>	<u>5,543</u>
Increase in net position	244,522	181,040	252,502
Net Position Beginning of Year	<u>10,273,867</u>	<u>10,092,827</u>	<u>9,840,325</u>
Net Position End of Year	<u>\$ 10,518,389</u>	<u>\$ 10,273,867</u>	<u>\$ 10,092,827</u>

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING LOSSES

The first component of the overall change in the Hospital's net position 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 decreased.

Management's goal in 2014, 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 2014 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. During the year, we continued to market the family practice clinics in Stuart, Adair and Panora, along with our pediatrician who started seeing patients in July 2012

The primary component of the decrease in operating losses were a continual effort of management to monitor expenses. The expenses of the hospital decreased \$76,000 or 0.5 percent coupled with the decrease in net operating revenues of \$7,300 or 0.05 percent.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

NON-OPERATING REVENUES AND EXPENSES

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

The Hospital's Non-operating Revenues and Expenses increased by \$19,903 comparing fiscal 2014 versus 2013.

GRANTS, CONTRIBUTIONS, AND ENDOWMENTS

The Hospital actively seeks contributions through its Foundation and continues to explore applicable grant opportunities. During 2011, the Hospital was awarded a three year Broadband Technology Opportunities Program (BTOP) grant. The Hospital completed this grant in August 2013 and received \$498,220 from the BTOP grant in 2014.

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 2014 were \$225,485. Comparatively, for fiscal 2013, cash flows used in operating activities were \$770,448, a net change of \$995,933.

BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2014, was prepared on the modified accrual basis. Actual budget basis revenues were lower than the budgeted amount of \$16,298,795 by \$1,224,189, or about 7.5 percent. Actual expenditures were lower than budgeted expenditures as well. Actual budget basis expenditures were \$14,822,667 as compared to budgeted expenditures of \$16,267,800, a difference of \$1,445,133 or about 8.9 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 \$632,261. 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>2014 Cost</u>
Roof	McDermott & Son Roofing	Plant Operations	\$ 94,479
Cardiac Rehab System	Life Systems	Cardiac Rehab	30,385

Capital assets for the years ended June 30, 2014, 2013, and 2012 are shown in the following table, Table 4:

**Table 4
Capital Assets**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 1,243,585	\$ 1,243,585	\$ 1,243,585
Buildings	11,839,096	11,734,497	10,641,722
Fixed equipment	2,085,301	2,077,409	1,975,713
Major movable equipment	<u>6,143,955</u>	<u>5,731,286</u>	<u>4,961,362</u>
Subtotal	21,311,937	20,786,777	18,822,382
Less accumulated depreciation	10,512,673	9,250,936	8,184,955
Construction in progress	<u>138,276</u>	<u>132,376</u>	<u>187,838</u>
Net capital assets	<u>\$ 10,937,540</u>	<u>\$ 11,668,217</u>	<u>\$ 10,825,265</u>

Net capital assets decreased as the Hospital has recently completed projects and current year depreciation exceeded current year acquisitions.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

Debt:

At year-end, the Hospital had \$3,266,355 in short-term and long-term debt. The total debt amount decreased by \$599,635 in fiscal year 2014. 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 19.5% of the Hospital's total assets at June 30, 2014.

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
Statements of Net Position
June 30,

ASSETS

	2014	2013
Current Assets:		
Cash	\$ 1,441,006	\$ 536,512
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$415,800 in 2014, \$764,000 in 2013)	1,509,792	1,979,001
Grant receivables	6,318	167,241
Other receivables	13,869	14,474
Inventory	334,430	304,675
Prepaid expense	256,458	231,934
Other current assets	20,373	20,541
Estimated third-party payor settlements	336,600	128,900
Succeeding year property tax receivable	1,538,000	1,539,000
Internally designated assets	242,447	244,241
Total current assets	5,699,293	5,166,519
Designated and Restricted Assets:		
Internally designated assets	831	806
Restricted assets	241,616	243,435
	242,447	244,241
Less amounts required to meet current liabilities	242,447	244,241
	--	--
Capital Assets:		
Depreciable capital assets, net	10,686,273	11,422,850
Non-depreciable capital assets	251,267	245,367
	10,937,540	11,668,217
Other Assets:		
Notes Receivable	54,286	67,857
Other	46,570	53,987
	100,856	121,844
Total assets	\$ 16,737,689	\$ 16,956,580

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET POSITION

	2014	2013
Current Liabilities:		
Current maturities of long-term debt	\$ 595,924	\$ 599,636
Accounts payable	453,021	655,554
Accrued employee compensation	594,244	578,017
Payroll taxes withheld and accrued	45,034	43,945
Accrued interest payable	146	207
Total current liabilities	1,688,369	1,877,359
Long-Term Debt:		
Revenue bonds, less current maturities	2,520,000	3,000,000
Capital lease obligation, less current maturities	150,431	266,354
Total long-term debt	2,670,431	3,266,354
Total liabilities	4,358,800	5,143,713
Deferred Inflows of Resources:		
Deferred succeeding year property tax	1,538,000	1,539,000
Deferred cost reimbursement	322,500	--
Total deferred inflows of resources	1,860,500	1,539,000
Net Position:		
Invested in capital assets, net of related debt	7,663,785	7,542,508
Restricted - expendable	241,616	243,435
Unrestricted	2,612,988	2,487,924
Total net position	10,518,389	10,273,867
Total liabilities and net position	\$ 16,737,689	\$ 16,956,580

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

	2014	2013
Revenue:		
Net patient service revenue	\$ 12,718,690	\$ 12,757,643
Other revenue	219,760	188,059
Total revenue	12,938,450	12,945,702
Expenses:		
Nursing service	3,503,685	3,498,230
Other professional service	4,337,233	4,556,103
Physician services	1,992,782	1,910,711
General service	1,225,110	1,286,094
Fiscal and administrative service	2,265,331	2,272,822
Provision for depreciation	1,355,685	1,231,797
Amortization	7,417	7,417
Total expenses	14,687,243	14,763,174
Operating Loss	(1,748,793)	(1,817,472)
Non-Operating Revenues (Expenses):		
County taxes	1,594,179	1,583,731
Investment income	2,303	2,705
Noncapital grants and contributions	23,086	24,475
Gain (loss) on disposal of assets	(7,253)	4,364
Interest expense	(142,841)	(165,704)
Non-operating revenues, net	1,469,474	1,449,571
Excess of Expenses Over Revenues Before Capital Grants and Contributions	(279,319)	(367,901)
Capital Grants and Contributions	523,841	548,941
Increase in Net Position	244,522	181,040
Net Position Beginning of Year	10,273,867	10,092,827
Net Position End of Year	\$ 10,518,389	\$ 10,273,867

The accompanying notes are an integral part of these statements.

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

	2014	2013
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 13,303,304	\$ 12,401,597
Cash paid to suppliers	(7,001,915)	(6,907,507)
Cash paid to employees	(6,295,664)	(6,487,597)
Other revenue	219,760	223,059
Net cash provided by (used in) operating activities	225,485	(770,448)
Cash flows from non-capital financing activities:		
County tax revenue	1,594,179	1,583,731
Noncapital grants and contributions	27,575	30,089
Net cash provided by non-capital financing activities	1,621,754	1,613,820
Cash flows from capital and related financing activities:		
Capital grants and contributions	680,275	386,189
Capital expenditures	(878,680)	(816,817)
Construction in progress expenditures	(5,900)	(1,035,817)
Proceeds from disposal of assets	--	4,364
Principal paid on long-term debt	(487,500)	(510,000)
Principal paid on capital leases	(112,135)	(108,471)
Interest paid	(142,902)	(165,767)
Net cash used in capital and related financing activities	(946,842)	(2,246,319)
Cash flows from investing activities:		
Investment income	2,303	2,705
Change in designated and restricted assets	486	(267)
Net cash provided by investing activities	2,789	2,438
Net increase (decrease) in cash and cash equivalents	903,186	(1,400,509)
Cash and cash equivalents at beginning of year	540,012	1,940,521
Cash and cash equivalents at end of year	\$ 1,443,198	\$ 540,012
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents in current assets	\$ 1,441,006	\$ 536,512
Cash and cash equivalents in designated and restricted assets	2,192	3,500
Total cash and cash equivalents	\$ 1,443,198	\$ 540,012

(continued next page)

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

	2014	2013
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$(1,748,793)	\$(1,817,472)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	1,355,685	1,231,797
Salaries and wages capitalized	--	(1,496)
Amortization	20,988	20,988
Change in assets and liabilities		
Accounts receivable	469,814	(672,646)
Inventory	(29,755)	6,176
Prepaid expense	(24,524)	(19,666)
Other current assets	168	1,467
Estimated third-party payor settlements	114,800	351,600
Accounts payable, trade	49,786	72,530
Accrued employee compensation	16,227	49,615
Payroll taxes withheld and accrued	1,089	6,659
Total adjustments	1,974,278	1,047,024
Net cash provided by (used in) operating activities	\$ 225,485	\$(770,448)

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2014 and 2013

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 has elected not to discreetly present the financial statements of the Foundation. See Note J.

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.

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.

5. Inventory Valuation

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

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2014 and 2013

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

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 capitalized no interest cost in either 2014 or 2013.

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. Any excess accumulated over the maximum is to be used within 90 days. 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 position 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, 2014 and 2013

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. The succeeding year property tax receivable has been recorded as a current asset and the related property tax revenue has been recorded as a deferred inflow of resources. 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 Position

Net position of the Hospital is reported in the following three categories. *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 position* consists of noncapital 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 position* consists of the remaining net position that does not meet the definition of *invested in capital assets net of related debt or restricted*.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2014 and 2013

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.

17. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68 "*Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27.*" This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the Hospital's proportionate share of the Iowa Public Employees Retirement System pension plan.

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 intermediaries through June 30, 2012 (Medicaid through June 30, 2011). 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.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2014 and 2013

NOTE C - RESTRICTED NET POSITION

Restricted expendable assets are available for the following purposes:

	2014	2013
Long-term debt	\$ 240,060	\$ 240,439
Purchase of property and equipment	1,556	2,996
	\$ 241,616	\$ 243,435

The Hospital has no restricted non-expendable assets or endowments at June 30, 2014 or 2013.

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

	2014	2013
Purchase of property and equipment	\$ 525,281	\$ 546,941
Payment of long-term debt	379	--
	\$ 525,660	\$ 546,941

NOTE D - DESIGNATED ASSETS

Of the \$2,612,988 (\$2,487,924 as of June 30, 2013) of unrestricted net position as of June 30, 2014, \$831 (\$806 for 2013) 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, 2014 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.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2014 and 2013

NOTE E - DEPOSITS AND INVESTMENTS - Continued

The composition of designated and restricted assets is as follows:

	<u>2014</u>	<u>2013</u>
Internally Designated Assets:		
Cash and cash equivalents	\$ 636	\$ 504
GNMA pool	<u>195</u>	<u>302</u>
	<u>\$ 831</u>	<u>\$ 806</u>
Restricted Assets:		
Certificates of deposit	\$ 240,060	\$ 240,439
Cash and cash equivalents	<u>1,556</u>	<u>2,996</u>
	<u>\$ 241,616</u>	<u>\$ 243,435</u>

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, 2014 and 2013, was as follows:

	<u>2014</u>	<u>2013</u>
Receivable from:		
Patients	\$ 377,161	\$ 773,006
Medicare	747,225	990,754
Medicaid	67,131	78,198
Wellmark	281,407	401,410
Other commercial insurance carriers	<u>452,668</u>	<u>499,633</u>
	1,925,592	2,743,001
Less allowances for doubtful accounts and contractual adjustments	<u>415,800</u>	<u>764,000</u>
	<u>\$ 1,509,792</u>	<u>\$ 1,979,001</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2014 and 2013

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2014 and 2013 were as follows:

<u>Cost</u>	<u>Balance 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2014</u>
Land Improvements	\$ 1,130,594	\$ --	\$ --	\$ 1,130,594
Buildings	11,734,497	104,599	--	11,839,096
Fixed Equipment	2,077,409	8,977	1,085	2,085,301
Major Movable Equipment	<u>5,731,286</u>	<u>512,785</u>	<u>100,116</u>	<u>6,143,955</u>
	20,673,786	626,361	101,201	21,198,946
<u>Depreciation</u>				
Land Improvements	490,828	60,268	--	551,096
Buildings	4,301,039	414,396	--	4,715,435
Fixed Equipment	1,276,275	101,239	1,085	1,376,429
Major Movable Equipment	<u>3,182,794</u>	<u>779,782</u>	<u>92,863</u>	<u>3,869,713</u>
Total Depreciation	<u>9,250,936</u>	<u>1,355,685</u>	<u>93,948</u>	<u>10,512,673</u>
Total Depreciable Capital Assets, Net	<u>\$ 11,422,850</u>	<u>\$(729,324)</u>	<u>\$ 7,253</u>	<u>\$ 10,686,273</u>
Construction in Progress	\$ 132,376	\$ 5,900	\$ --	\$ 138,276
Land	<u>112,991</u>	<u>--</u>	<u>--</u>	<u>112,991</u>
Total Non-Depreciable Capital Assets	<u>\$ 245,367</u>	<u>\$ 5,900</u>	<u>\$ --</u>	<u>\$ 251,267</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2014 and 2013

NOTE G - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2013</u>
Land Improvements	\$ 1,130,594	\$ --	\$ --	\$ 1,130,594
Buildings	10,641,722	1,092,775	--	11,734,497
Fixed Equipment	1,975,713	101,696	--	2,077,409
Major Movable Equipment	<u>4,961,362</u>	<u>935,740</u>	<u>165,816</u>	<u>5,731,286</u>
	18,709,391	2,130,211	165,816	20,673,786
<u>Depreciation</u>				
Land Improvements	423,655	67,173	--	490,828
Buildings	3,900,037	401,002	--	4,301,039
Fixed Equipment	1,173,215	103,060	--	1,276,275
Major Movable Equipment	<u>2,688,048</u>	<u>660,562</u>	<u>165,816</u>	<u>3,182,794</u>
Total Depreciation	<u>8,184,955</u>	<u>1,231,797</u>	<u>165,816</u>	<u>9,250,936</u>
Total Depreciable Capital Assets, Net	<u>\$ 10,524,436</u>	<u>\$ 898,414</u>	<u>\$ --</u>	<u>\$ 11,422,850</u>
Construction in Progress	\$ 187,838	\$1,037,313	\$1,092,775	\$ 132,376
Land	<u>112,991</u>	<u>--</u>	<u>--</u>	<u>112,991</u>
Total Non-Depreciable Capital Assets	<u>\$ 300,829</u>	<u>\$1,037,313</u>	<u>\$1,092,775</u>	<u>\$ 245,367</u>

NOTE H - NON-CURRENT LIABILITIES

A schedule of changes in the Hospital's non-current liabilities for the years ended June 30, 2014 and 2013 follows:

	<u>Balance 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2014</u>	<u>Current Portion</u>
Long-Term Debt:					
Rural Economic Development Loan Series 2006 Revenue Bonds	\$ 7,500	\$ --	\$ 7,500	\$ --	\$ --
Series 2009 Revenue Bonds	1,240,000	--	160,000	1,080,000	160,000
Capital Lease Obligation	<u>378,490</u>	<u>--</u>	<u>112,135</u>	<u>266,355</u>	<u>115,924</u>
Total Non-Current Liabilities	<u>\$3,865,990</u>	<u>\$ --</u>	<u>\$ 599,635</u>	<u>\$3,266,355</u>	<u>\$ 595,924</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2014 and 2013

NOTE H - NON-CURRENT LIABILITIES - Continued

	Balance 2012	Additions	Reductions	Balance 2013	Current Portion
Long-Term Debt:					
Rural Economic Development Loan Series 2006 Revenue Bonds	\$ 37,500	\$ --	\$ 30,000	\$ 7,500	\$ 7,500
Series 2009 Revenue Bonds	1,400,000	--	160,000	1,240,000	160,000
Capital Lease Obligation	2,560,000	--	320,000	2,240,000	320,000
	486,961	--	108,471	378,490	112,136
Total Non-Current Liabilities	<u>\$4,484,461</u>	<u>\$ --</u>	<u>\$ 618,471</u>	<u>\$3,865,990</u>	<u>\$ 599,636</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 was non-interest bearing and payable in twenty equal quarterly installments. The loan was paid off during the year ended June 30, 2014.

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 4.00% per annum through September 30, 2015. On September 30, 2015 and again on September 30, 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 Series 2009 Hospital Revenue Bonds were issued in September, 2009 in a principal amount up to \$3,200,000. The bonds carry an interest rate of 4.00% per annum through September 30, 2015. On September 30, 2015 and again on September 30, 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 \$80,000 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, bonds, and capital lease obligation is expected to require less than 43% of cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately \$743,000 and \$1,750,000, respectively.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2014 and 2013

NOTE H - NON-CURRENT LIABILITIES - Continued

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.

Assets recorded under capital leases, which carry an interest rate of 3.33%, consist of major movable equipment items with totals as follows:

	2014	2013
Cost	\$ 578,305	\$ 578,305
Less: Accumulated Amortization	318,068	202,407
Net Book Value	\$ 260,237	\$ 375,898

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

Year Ending June 30,	Long-Term Debt		Capital Leases		Total
	Principal	Interest	Principal	Interest	
2015	\$ 480,000	\$ 112,822	\$ 115,924	\$ 7,107	\$ 715,853
2016	480,000	93,780	119,842	3,189	696,811
2017	480,000	74,422	30,589	170	585,181
2018	480,000	55,222	--	--	535,222
2019	480,000	36,022	--	--	516,022
2020-2021	600,000	19,222	--	--	619,222
	\$ 3,000,000	\$ 391,490	\$ 266,355	\$ 10,466	\$ 3,668,311

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 5.95% of their annual covered salary and the Hospital is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012, were approximately \$531,500, \$536,600, and \$471,300, respectively, equal to the required contributions for each year.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2014 and 2013

NOTE J - AFFILIATED ORGANIZATION

Unity Point Health (Unity Point)

The Hospital entered into an operating agreement with Unity Point effective January 1, 2014. Under the agreement, the Hospital's Chief Executive Officer is an employee of Unity Point and the Hospital reimburses Unity Point for the cost of the Chief Executive Officer's salary and benefits. The Hospital also pays a monthly fee to Unity Point for management services. Under the terms of the agreement, Unity Point provides management oversight services and consults and works with the Hospital's board in formulating management strategies and recommendations regarding operations. Below is a list of transactions between the Hospital and this affiliate for the years ended June 30, 2014 and 2013:

	2014	2013
Fees to Unity Point for personnel and services	\$ 109,375	\$ --

Guthrie County Hospital Foundation (the Foundation)

As indicated in Note A1, the Foundation has been identified as a component unit of the Hospital. A summary of the Foundation's assets, liabilities and net position as of June 30, 2014 and 2013 follows:

	(Unaudited)	
	2014	2013
Assets	\$ 188,634	\$ 175,798
Net Position	\$ 188,634	\$ 175,798

The Hospital received \$26,604 and \$1,500 from the Foundation during the years ended June 30, 2014 and 2013, respectively, for the purchase of property and equipment. As of June 30, 2014, the Foundation has no material pledges receivable related to Hospital projects.

NOTE K - OTHER POST EMPLOYMENT BENEFITS (OPEB)

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 retirees must pay the full cost of the health insurance premium equal to that charged for current employees. There are 94 active employees and 2 retirees currently covered by the health insurance plan.

Funding Policy: The Hospital does not set aside funds to pay for any OPEB liability. Any Hospital costs of an implicit health insurance premium rate subsidy are charged to expense in the year paid.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2014 and 2013

NOTE K - OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

Net OPEB Obligation: Management of the Hospital considers any OPEB obligation, which may exist, to be immaterial. Therefore the Hospital has elected to not obtain an actuarial evaluation of the OPEB liability.

Generally accepted accounting principles, established under GASB Statement No. 45, require that an actuarial or alternative computation of a liability be completed. The independent auditor's report regarding the financial statements has been qualified as a result of not obtaining the required evaluation and not recording any potential material OPEB liability.

NOTE L - COMMITMENTS AND CONTINGENCIES

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

The \$138,276 in construction in progress at June 30, 2014 is related to various small projects for which no material commitments exist as of the date of this report.

Subsequent Events

The Hospital has evaluated all subsequent events through September 22, 2014, the date the financial statements were available to be issued.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
Budgetary Comparison Schedule
Year Ended June 30, 2014

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, amortization, and net position differently for financial statement and budget purposes.

	Per Financial Statements			
	Unrestricted Fund	Restricted Fund	Total	
Amount raised by taxation	\$ 1,594,179	\$ --	\$ 1,594,179	
Other revenues	12,813,745	523,841	13,337,586	
Transfers in (out)	<u>525,660</u>	<u>(525,660)</u>	<u>--</u>	
	14,933,584	<u>(1,819)</u>	14,931,765	
Expenses	<u>14,687,243</u>	<u>--</u>	<u>14,687,243</u>	
Net	246,341	<u>(1,819)</u>	244,522	
Balance beginning of year	<u>10,030,432</u>	<u>243,435</u>	<u>10,273,867</u>	
Balance end of year	<u>\$ 10,276,773</u>	<u>\$ 241,616</u>	<u>\$ 10,518,389</u>	
	Total Per Financial Statements	Budget Adjustments	Budget Basis	Adopted Budget
Amount raised by taxation	\$ 1,594,179	\$ --	\$ 1,594,179	\$ 1,539,039
Other revenues	<u>13,337,586</u>	<u>142,841</u>	<u>13,480,427</u>	<u>14,759,756</u>
	14,931,765	142,841	15,074,606	16,298,795
Expenses	<u>14,687,243</u>	<u>135,424</u>	<u>14,822,667</u>	<u>16,267,800</u>
Net	244,522	7,417	251,939	30,995
Balance beginning of year	<u>10,273,867</u>	<u>(941,352)</u>	<u>9,332,515</u>	<u>9,332,515</u>
Balance end of year	<u>\$ 10,518,389</u>	<u>\$(933,935)</u>	<u>\$ 9,584,454</u>	<u>\$ 9,363,510</u>

See Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
Patient Receivables
June 30,

Analysis of Aging:

Days Since Discharge	2014		2013	
	Amount	Percent To Total	Amount	Percent To Total
In hospital - 30	\$ 1,362,962	71%	\$ 1,577,204	58%
31 - 60	234,245	12	499,532	18
61 - 90	86,355	5	243,891	9
91 - 120	45,303	2	91,920	3
121 and over	196,727	10	330,454	12
	<u>1,925,592</u>	<u>100%</u>	<u>2,743,001</u>	<u>100%</u>
Allowance for doubtful accounts	189,200		375,000	
Allowance for contractual adjustments	<u>226,600</u>		<u>389,000</u>	
	<u>\$ 1,509,792</u>		<u>\$ 1,979,001</u>	

Allowance for Doubtful Accounts:

	Year ended June 30,	
	2014	2013
Balance, beginning	\$ 375,000	\$ 198,300
Provision for bad debts	430,426	580,356
Recoveries of accounts previously written off	<u>816,930</u>	<u>521,238</u>
	<u>1,622,356</u>	<u>1,299,894</u>
Accounts written off	<u>1,433,156</u>	<u>924,894</u>
Balance, ending	<u>\$ 189,200</u>	<u>\$ 375,000</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Inventory/Prepaid Expense
June 30,

	2014	2013
<u>Inventory</u>		
Medical and surgical supplies	\$ 160,571	\$ 152,196
Laboratory	26,500	30,960
Pharmacy	128,140	102,300
Other	19,219	19,219
	\$ 334,430	\$ 304,675
 <u>Prepaid Expense</u>		
Insurance	\$ 25,731	\$ 18,029
Service contracts and dues	230,727	213,905
	\$ 256,458	\$ 231,934

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Patient Service Revenue
Year ended June 30,

	2014	
	Inpatient	Outpatient
Daily Patient Services:		
Medical, surgical and obstetric	\$ 915,072	\$ --
Swing bed	--	--
	915,072	--
Other Nursing Services:		
Cardiac rehabilitation	--	110,675
Operating and recovery rooms	209,940	844,109
Emergency room	59,986	700,785
Central services and supply	1,131,780	277,365
Intravenous therapy	60,442	75,874
Observation	45,991	232,640
	1,508,139	2,241,448
Other Professional Services:		
Emergency room professional	20,316	380,082
Laboratory	246,244	2,026,978
Blood	7,600	40,138
Electrocardiology	6,331	76,096
Radiology	42,218	470,937
CT scan	73,597	828,151
Ultrasound	14,195	281,425
Mammography	--	259,412
Nuclear imaging	3,207	44,886
MRI	22,943	630,781
Pharmacy	533,869	585,098
Anesthesia	53,935	143,169
Respiratory therapy	207,519	242,113
Speech therapy	1,632	28,250
Physical therapy	73,731	937,016
Occupational therapy	3,873	100,627
Outpatient clinics	--	69,394
Diabetic education	--	10,557
Hospice	--	--
Clinic professional fees	--	--
Surgery professional fees	--	--
	1,311,210	7,155,110
	\$ 3,734,421	\$ 9,396,558

See Independent Auditor's Report.

		2014		2013	
Swing Bed	Physician Services	Total	Total		
\$ --	\$ --	\$ 915,072	\$ 1,045,137		
267,297	--	267,297	318,184		
<u>267,297</u>	<u>--</u>	<u>1,182,369</u>	<u>1,363,321</u>		
--	--	110,675	174,088		
2,256	--	1,056,305	1,035,549		
--	--	760,771	822,741		
17,252	--	1,426,397	1,205,360		
11,456	--	147,772	135,859		
--	--	278,631	299,499		
<u>30,964</u>	<u>--</u>	<u>3,780,551</u>	<u>3,673,096</u>		
--	--	400,398	425,309		
88,108	41,347	2,402,677	2,508,315		
3,772	--	51,510	49,369		
1,023	--	83,450	113,325		
8,050	--	521,205	581,680		
10,033	--	911,781	1,078,852		
3,263	--	298,883	307,983		
--	--	259,412	258,807		
927	--	49,020	31,523		
3,614	--	657,338	634,765		
258,826	38,697	1,416,490	1,370,417		
372	--	197,476	221,657		
134,704	--	584,336	628,336		
4,661	--	34,543	13,483		
103,982	--	1,114,729	1,025,669		
16,451	--	120,951	151,987		
--	--	69,394	75,319		
--	--	10,557	15,778		
13,765	--	13,765	36,554		
--	1,210,755	1,210,755	823,602		
--	381,882	381,882	452,743		
<u>651,551</u>	<u>1,672,681</u>	<u>10,790,552</u>	<u>10,805,473</u>		
\$ 949,812	\$ 1,672,681	\$ 15,753,472	\$ 15,841,890		

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

	2014	2013
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 15,753,472	\$ 15,841,890
Contractual adjustments	(2,560,914)	(2,443,328)
Provision for bad debts	(430,426)	(580,356)
Charity care	(43,442)	(60,563)
	<u>\$ 12,718,690</u>	<u>\$ 12,757,643</u>
 <u>Other Revenue</u>		
Dietary revenue	\$ 23,999	\$ 19,977
Congregate meals	35,659	45,719
Ancillary service coverage revenue	22,836	25,868
Outpatient clinic rental	32,711	34,087
Fitness center	52,523	54,217
Purchase discounts	23,727	--
Wellness revenue	1,522	4,232
Pharmacy student income	2,000	3,400
Miscellaneous income	24,783	559
	<u>\$ 219,760</u>	<u>\$ 188,059</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses
Year ended June 30,

	2014	2013
Administrative:		
Salaries and wages	\$ 93,567	\$ 94,372
Employee benefits	19,474	20,480
Supplies and other expense	287	3,327
	113,328	118,179
Medical, Surgical and Obstetric:		
Salaries and wages	896,415	1,012,502
Employee benefits	329,174	334,589
Supplies and other expense	125,964	164,446
	1,351,553	1,511,537
Cardiac Rehabilitation:		
Salaries and wages	55,869	74,216
Employee benefits	9,505	12,995
Supplies and other expense	3,780	4,023
	69,154	91,234
Operating and Recovery Rooms:		
Salaries and wages	200,027	163,704
Employee benefits	54,593	49,096
Purchased services	21,310	269
Professional fees	38,840	38,999
Supplies and other expense	110,238	111,679
	425,008	363,747
Emergency Room:		
Salaries and wages	253,154	260,932
Employee benefits	79,081	84,240
Supplies and other expense	82,224	90,494
	414,459	435,666

(continued next page)

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

	2014	2013
Central Services and Supply:		
Salaries and wages	\$ 91,622	\$ 91,752
Employee benefits	52,235	49,599
Supplies and other expense	982,851	831,072
	1,126,708	972,423
Intravenous Therapy:		
Supplies and other expense	3,475	5,444
	\$ 3,503,685	\$ 3,498,230

SUMMARY

Salaries and wages	\$ 1,590,654	\$ 1,697,478
Employee benefits	544,062	550,999
Professional fees	38,840	38,999
Supplies and other expense	1,330,129	1,210,754
	\$ 3,503,685	\$ 3,498,230

See Independent Auditor's Report.

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

	<u>2014</u>	<u>2013</u>
Emergency Room Professional:		
Salaries and wages	\$ 609,455	\$ 590,146
Employee benefits	115,378	132,142
Professional fees	79,043	32,122
Supplies and other expense	<u>6,238</u>	<u>15,226</u>
	810,114	769,636
Laboratory:		
Salaries and wages	268,018	268,711
Employee benefits	89,104	85,553
Professional fees	1,706	1,750
Supplies and other expense	<u>319,265</u>	<u>367,267</u>
	678,093	723,281
Blood:		
Blood	29,701	28,004
Electrocardiology:		
Salaries and wages	9,727	12,366
Employee benefits	3,521	3,472
Supplies and other expense	<u>329</u>	<u>14,793</u>
	13,577	30,631
Radiology:		
Salaries and wages	208,630	206,441
Employee benefits	77,527	76,082
Supplies and other expense	<u>95,973</u>	<u>101,452</u>
	382,130	383,975
CT Scan:		
Salaries and wages	16,532	19,520
Employee benefits	5,436	5,282
Supplies and other expense	<u>107,933</u>	<u>85,505</u>
	129,901	110,307
Ultrasound:		
Salaries and wages	8,103	8,285
Employee benefits	3,183	2,513
Supplies and other expense	<u>54,206</u>	<u>61,047</u>
	65,492	71,845

(continued next page)

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

	<u>2014</u>	<u>2013</u>
Mammography:		
Salaries and wages	\$ 7,315	\$ 7,439
Employee benefits	2,815	2,264
Supplies and other expense	<u>56,716</u>	<u>54,365</u>
	66,846	64,068
Nuclear Imaging:		
Supplies and other expense	25,342	17,304
MRI:		
Supplies and other expense	94,276	82,907
Pharmacy:		
Salaries and wages	311,468	298,156
Employee benefits	88,211	84,823
Professional fees	22,135	34,941
Drugs	191,310	332,268
Supplies and other expense	<u>34,375</u>	<u>26,966</u>
	647,499	777,154
Anesthesia:		
Professional fees	173,970	183,390
Supplies and other expense	<u>1,840</u>	<u>729</u>
	175,810	184,119
Respiratory Therapy:		
Salaries and wages	105,161	138,855
Employee benefits	26,426	37,355
Oxygen, supplies and other expense	<u>68,732</u>	<u>76,499</u>
	200,319	252,709
Speech Therapy:		
Professional fees	20,410	7,578
Physical Therapy:		
Salaries and wages	313,556	313,773
Employee benefits	103,646	104,201
Supplies and other expense	<u>20,320</u>	<u>21,086</u>
	437,522	439,060
Occupational Therapy:		
Professional fees	47,200	57,380
Supplies and other expense	<u>212</u>	<u>242</u>
	47,412	57,622

(continued next page)

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

	2014	2013
Medical Records:		
Salaries and wages	\$ 154,781	\$ 170,475
Employee benefits	67,948	71,889
Supplies and other expense	32,512	29,306
	255,241	271,670
 Social Services:		
Salaries and wages	28,339	30,501
Employee benefits	12,135	12,929
Supplies and other expense	537	3,919
	41,011	47,349
 Outpatient Clinics:		
Salaries and wages	100,467	117,138
Employee benefits	27,771	26,441
Supplies and other expense	8,646	10,858
	136,884	154,437
 Fitness Center:		
Salaries and wages	39,541	40,997
Employee benefits	12,797	11,470
Supplies and other expense	8,572	14,996
	60,910	67,463
 Diabetic Education:		
Salaries and wages	15,771	12,536
Employee benefits	2,745	1,711
Supplies and other expense	227	737
	18,743	14,984
	<u>\$ 4,337,233</u>	<u>\$ 4,556,103</u>

SUMMARY

Salaries and wages	\$ 2,196,864	\$ 2,235,339
Employee benefits	638,643	658,127
Professional fees	344,464	317,161
Supplies and other expense	1,157,262	1,345,476
	<u>\$ 4,337,233</u>	<u>\$ 4,556,103</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Physician Services Expenses
Year ended June 30,

	2014	2013
Physician Service:		
Salaries and wages	\$ 809,854	\$ 699,006
Employee benefits	178,263	167,363
Supplies and other expense	77,409	69,708
	1,065,526	936,077
Nursing Service:		
Salaries and wages	133,112	134,587
Employee benefits	44,024	45,413
Medical supplies	40,613	45,300
Supplies and other expense	43,577	37,969
	261,326	263,269
Business Office:		
Salaries and wages	131,306	129,705
Employee benefits	62,129	53,480
Supplies and other expense	46,101	99,255
	239,536	282,440
Occupancy Costs:		
Rent	5,543	5,541
Utilities	33,712	36,187
	39,255	41,728
Surgery Services:		
Salaries and wages	43,100	39,733
Employee benefits	14,410	17,230
Professional fees	303,660	269,976
Supplies and other expense	25,969	60,258
	387,139	387,197
	\$ 1,992,782	\$ 1,910,711

SUMMARY

Salaries and wages	\$ 1,117,372	\$ 1,003,031
Employee benefits	298,826	283,486
Professional fees	303,660	269,976
Supplies and other expense	272,924	354,218
	\$ 1,992,782	\$ 1,910,711

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
 General Service Expenses
 Year ended June 30,

	2014	2013
Dietary:		
Salaries and wages	\$ 171,861	\$ 172,194
Employee benefits	109,794	91,770
Food	103,476	107,779
Supplies and other expense	25,244	30,779
	410,375	402,522
Operation of Plant:		
Salaries and wages	199,239	235,022
Employee benefits	56,377	60,183
Electricity	158,069	154,769
Natural gas	82,076	90,965
Supplies and other expense	91,558	112,311
	587,319	653,250
Housekeeping:		
Salaries and wages	127,406	130,879
Employee benefits	69,898	72,593
Supplies and other expense	16,191	24,916
	213,495	228,388
Laundry and Linen:		
Purchased services	12,675	--
Supplies and other expense	1,246	1,934
	13,921	1,934
	\$ 1,225,110	\$ 1,286,094

SUMMARY

Salaries and wages	\$ 498,506	\$ 538,095
Employee benefits	236,069	224,546
Supplies and other expense	490,535	523,453
	\$ 1,225,110	\$ 1,286,094

See Independent Auditor's Report.

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

	2014	2013
Fiscal and Administrative:		
Salaries and wages	\$ 565,869	\$ 720,217
Employee benefits	204,158	216,793
Advertising	30,128	44,321
Telephone	28,672	28,519
Supplies and minor equipment	22,857	35,279
Collection expense	44,598	67,640
Computer maintenance	100,157	59,558
Education and meetings	27,666	21,479
Professional fees	230,674	89,454
Printing and postage	4,984	6,150
Purchased services	69,276	67,880
Recruiting	--	218
Dues and subscriptions	18,669	17,212
	1,347,708	1,374,720
 Admissions Office:		
Salaries and wages	75,435	80,267
Employee benefits	36,804	32,740
Supplies and other expense	5,482	8,027
	117,721	121,034
 Information Systems:		
Salaries and wages	165,028	162,725
Employee benefits	53,604	48,992
Supplies and other expense	112,971	76,540
	331,603	288,257
 Employee Welfare:		
Salaries and wages	102,163	98,564
Employee benefits	30,658	29,721
Group health and life benefit	77,265	90,780
Workers' compensation insurance	88,950	87,513
Unemployment expense	12,344	17,970
Supplies and other expense	62,082	36,402
	373,462	360,950
 Insurance:		
Liability and property insurance	94,837	127,861
	\$ 2,265,331	\$ 2,272,822

(continued next page)

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

	2014	2013
<u>SUMMARY</u>		
Salaries and wages	\$ 908,495	\$ 1,061,773
Employee benefits	503,783	524,509
Professional fees	230,674	89,454
Supplies and other expense	622,379	597,086
	\$ 2,265,331	\$ 2,272,822

<u>SUMMARY OF EXPENSES</u>		
Salaries and wages	\$ 6,311,891	\$ 6,535,716
Employee benefits	2,221,383	2,241,667
Professional fees	917,638	715,590
Supplies and other expense	3,873,229	4,030,987
	\$ 13,324,141	\$ 13,523,960

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Schedule of Expenditures of Federal Awards
Year ended June 30, 2014

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant or Program Number</u>
U.S. Department of Commerce Indirect Program Central Iowa Hospital Corporation ARRA-Broadband Technology Opportunities Program	11.557	19-43-B10575
U.S. Department of Health and Human Services Indirect Program Iowa Department of Public Health National Bioterrorism Hospital Preparedness Program	93.889	5883BHP71
Public Health Emergency Preparedness and Hospital Preparedness Program Total U.S. Department of Health and Human Services	93.074	5884BT01
U.S. Department of Homeland Security and Emergency Management Indirect Program Iowa Department of Homeland Security and Emergency Management Hazard Mitigation Grant Program	97.039	HMGP-DR-1930-0017-01
Total Expenditures of Federal Awards		

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Guthrie County Hospital, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor's report.

<u>Period of Grant</u>	<u>Federal Expenditures</u>
09/01/10 to 08/31/13	\$ 498,220
07/01/12 to 06/30/13	6,786
10/01/13 to 06/30/17	<u>10,303</u>
	17,089
04/04/12 to 09/19/15	<u>4,425</u>
	<u>\$ 519,734</u>

GUTHRIE COUNTY HOSPITAL
Comparative Statistics
Year ended June 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Acute Care:					
Admissions	283	336	307	409	363
Discharges	278	330	307	407	363
Patient days	862	1,092	1,015	1,197	1,046
Average length of stay	3.10	3.31	3.31	2.94	2.88
Average occupied beds	2.4	3.0	2.8	3.3	2.9
Swing Bed Program:					
Admissions	130	152	140	182	162
Discharges	132	150	141	182	161
Patient days	799	901	966	1,156	1,128
Combined Average Occupied Beds	4.6	5.5	5.4	6.4	6.0
Outpatient Occasions of Service	35,524	37,334	35,075	34,368	31,555

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Comparative Statements of Net Position
June 30,

	2014	2013
Current Assets:		
Cash	\$ 1,441,006	\$ 536,512
Patient receivables, net	1,509,792	1,979,001
Other receivables	20,187	181,715
Inventory	334,430	304,675
Prepaid expense	256,458	231,934
Other current assets	20,373	20,541
Estimated third-party payor settlements	336,600	128,900
Succeeding year property tax receivable	1,538,000	1,539,000
Internally designated assets	242,447	244,241
Total current assets	5,699,293	5,166,519
Other Assets:		
Capital assets, net	10,937,540	11,668,217
Notes receivable	54,286	67,857
Other	46,570	53,987
Total other assets	11,038,396	11,790,061
Total assets	\$ 16,737,689	\$ 16,956,580
Current Liabilities:		
Current maturities of long-term debt	\$ 595,924	\$ 599,636
Accounts payable	453,021	655,554
Accrued expenses	639,278	621,962
Accrued interest	146	207
Total current liabilities	1,688,369	1,877,359
Long-Term Debt, Net	2,670,431	3,266,354
Total liabilities	4,358,800	5,143,713
Deferred Inflows of Resources	1,860,500	1,539,000
Net Position	10,518,389	10,273,867
Total liabilities and net position	\$ 16,737,689	\$ 16,956,580

See Independent Auditor's Report.

<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 1,939,153	\$ 1,228,512	\$ 398,618
1,308,606	1,461,186	1,242,396
22,326	470,178	23,957
310,851	294,031	206,368
212,268	144,225	115,649
22,008	23,128	19,465
480,500	413,000	213,000
1,529,000	1,430,000	1,372,000
241,842	243,116	242,882
<u>6,066,554</u>	<u>5,707,376</u>	<u>3,834,335</u>
10,825,265	11,070,142	10,326,982
81,428	100,000	50,000
61,404	68,820	77,168
<u>10,968,097</u>	<u>11,238,962</u>	<u>10,454,150</u>
<u>\$ 17,034,651</u>	<u>\$ 16,946,338</u>	<u>\$ 14,288,485</u>
\$ 618,470	\$ 510,000	\$ 510,000
362,405	601,593	635,694
565,688	566,920	526,959
270	--	--
<u>1,546,833</u>	<u>1,678,513</u>	<u>1,672,653</u>
<u>3,865,991</u>	<u>3,997,500</u>	<u>2,407,500</u>
5,412,824	5,676,013	4,080,153
1,529,000	1,430,000	1,372,000
<u>10,092,827</u>	<u>9,840,325</u>	<u>8,836,332</u>
<u>\$ 17,034,651</u>	<u>\$ 16,946,338</u>	<u>\$ 14,288,485</u>

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

	<u>2014</u>	<u>2013</u>
Patient Service Revenue	\$ 15,753,472	\$ 15,841,890
Adjustments to Patient Service Revenue	<u>(3,034,782)</u>	<u>(3,084,247)</u>
Net Patient Service Revenue	12,718,690	12,757,643
Other Revenue	<u>219,760</u>	<u>188,059</u>
Total Revenue	12,938,450	12,945,702
Expenses	<u>14,687,243</u>	<u>14,763,174</u>
Operating Loss	(1,748,793)	(1,817,472)
Non-Operating Revenues, Net	<u>1,469,474</u>	<u>1,449,571</u>
Excess of Revenues Over Expenses (Expenses Over Revenues) Before Capital Grants and Contributions	(279,319)	(367,901)
Capital Grants and Contributions	<u>523,841</u>	<u>548,941</u>
Increase in Net Position	<u>\$ 244,522</u>	<u>\$ 181,040</u>

See Independent Auditor's Report.

<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 15,076,192	\$ 14,454,119	\$ 12,909,830
(2,592,212)	(2,763,464)	(2,554,202)
12,483,980	11,690,655	10,355,628
<u>189,792</u>	<u>201,746</u>	<u>194,951</u>
12,673,772	11,892,401	10,550,579
<u>13,776,651</u>	<u>12,938,786</u>	<u>11,087,308</u>
(1,102,879)	(1,046,385)	(536,729)
<u>1,349,838</u>	<u>1,288,757</u>	<u>1,249,633</u>
246,959	242,372	712,904
<u>5,543</u>	<u>761,621</u>	<u>158,840</u>
<u>\$ 252,502</u>	<u>\$ 1,003,993</u>	<u>\$ 871,744</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, 2014, and have issued our report thereon dated September 22, 2014. 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, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Trustees
Guthrie County Hospital

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Current Audit Findings and Questioned Costs as item 14-II-A to be a significant deficiency.

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.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2014 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.

Response to Findings

Guthrie County Hospital's responses to findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Hospital's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Atlantic, Iowa
September 22, 2014

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

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Report on Compliance for Major Federal Program

We have audited the Guthrie County Hospital compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended June 30, 2014. The Hospital's major federal program is identified in the summary of the independent auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the Hospital's management.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Hospital's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major program. However, our audit does not provide a legal determination on the Hospital's compliance.

Opinion on Each Major Federal Program

In our opinion, Guthrie County Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

To the Board of Trustees
Guthrie County Hospital

Report on Internal Control Over Compliance

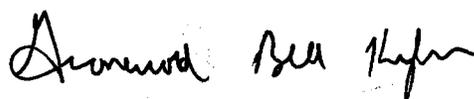
Management of Guthrie County Hospital is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Guthrie County Hospital's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 14-III-A.

Guthrie County Hospital's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Guthrie County Hospital's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 + W. P. C.

Atlantic, Iowa
September 22, 2014

GUTHRIE COUNTY HOSPITAL

Schedule of Current Audit Findings and Questioned Costs

Year ended June 30, 2014

PART I: Summary of the Independent Auditor's Results

Financial Statements

- (a) Type of auditor's report issued:
- A qualified opinion was issued on the financial statements.
- (b) Internal control over financial reporting:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? X yes none reported
- (c) Noncompliance material to financial statements noted? yes X no

Federal Awards

- (d) Internal control over major programs:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? X yes none reported
- (e) Type of auditor's report issued on compliance for major programs:
- Unmodified.
- (f) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the OMB Circular A-133? X yes no
- (g) Identification of major programs:
- Department of Commerce - Broadband Technology Opportunities Program:
- CFDA Number 11.557 - ARRA
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (i) Auditee qualified as low-risk auditee? yes X no

GUTHRIE COUNTY HOSPITAL

Schedule of Current Audit Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended June 30, 2014.

SIGNIFICANT DEFICIENCIES:

14-II-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 III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended June 30, 2014.

SIGNIFICANT DEFICIENCIES:

CFDA Number 11.557 - ARRA - Broadband Technology Opportunities Program
Pass-through Numbers: 19-43-B10575

Federal Award Year: 2011
U.S. Department of Commerce
Passed through the Central Iowa Hospital Corporation

14-III-A Segregation of Duties over Federal Revenues and Expenditures - The Hospital did not properly segregate custody, record-keeping and reconciling functions for revenues and expenditures, including those related to Federal programs. See audit finding 14-II-A.

GUTHRIE COUNTY HOSPITAL

Schedule of Current Audit Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

- 14-IV-A Certified Budget - Hospital expenditures during the year ended June 30, 2014 did not exceed the amount budgeted.
- 14-IV-B Questionable Expenditures - During the audit, we noted no expenditures for parties, banquets or other entertainment for employees or Board members.
- 14-IV-C Travel Expense - No expenditures of Hospital money for travel expenses of spouses of Hospital officials or employees were noted.
- 14-IV-D Business Transactions - No business transactions between the Hospital and Hospital officials or employees were noted.
- 14-IV-E Board Minutes - No transactions requiring Board approval were noted which had not been approved.
- 14-IV-F Deposits and Investments - 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 were noted.

* * *