

GUTHRIE COUNTY HOSPITAL

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

YEARS ENDED JUNE 30, 2017 AND 2016

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	26
Schedule of the Hospital's Proportionate Share of the Net Pension Liability	27
Schedule of Hospital Pension Contributions	28
Notes to Required Supplementary Information - Pension Liability	29
SUPPLEMENTARY INFORMATION:	
Schedules Supporting Statements of Net Position:	
Patient receivables	30
Inventory/Prepaid expense	31
Schedules Supporting Statements of Revenues, Expenses and Changes in Net Position:	
Patient service revenue	32
Revenue and related adjustments	33
Nursing service expenses	34
Other professional service expenses	36
Physician services expenses	39
General service expenses	40
Fiscal and administrative service expenses	41
Comparative Statistics	43
Comparative Statements of Net Position	44
Comparative Statements of Revenues, Expenses and Changes in Net Position	45
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	46
Schedule of Findings and Responses	48

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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 financial statements of Guthrie County Hospital which comprise the statements of net position as of June 30, 2017 and 2016 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Guthrie County Hospital as of June 30, 2017 and 2016 and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note A1, the financial statements referred to above include only the Hospital. These Hospital financial statements do not include financial data for the Hospital's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Hospital. As a result, the Hospital financial statements do not purport to, and do not present fairly the financial position of the complete Hospital entity as of June 30, 2017 and 2016, the changes in its financial position or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the complete reporting entity of the Hospital as of and for the years ended June 30, 2017 and 2016, and our report thereon, dated October 26, 2017, expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedules of the Hospital's Proportionate Share of the Net Pension Liability and of Hospital Pension Contributions (and the related notes) on pages 3 through 3g and on pages 26 through 29 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.

Supplementary Information

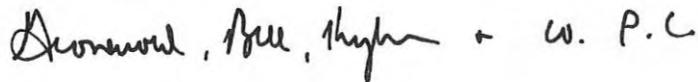
Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Guthrie County Hospital's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2015 (which are not presented herein) and expressed qualified opinions on those financial statements. The supplementary information on pages 1 and 30 through 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Board of Trustees
Guthrie County Hospital

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2017 on our consideration of Guthrie County Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Guthrie County Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Guthrie County Hospital's internal control over financial reporting and compliance.



Atlantic, Iowa
October 26, 2017



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, 2017, 2016, and 2015. We encourage readers to consider it in conjunction with the Hospital's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Hospital's total assets and deferred outflows of resources increased approximately \$1,010,000 (5.6%) from 2016 to 2017 (\$446,000 (2.5%) increase from 2015 to 2016). Net position, or total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources, increased approximately \$291,000 (4.1%) from 2016 to 2017 (\$1,088,000 (18.0%) increase from 2015 to 2016).

The Hospital reported operating revenues for the year of \$14.8 million, an increase of approximately \$594,000 or 4.2% from 2016 to 2017 (\$14.3 million in 2016, an increase of approximately \$825,000 or 6.1% from 2015 to 2016). Net revenues, or revenues after all expenditures, for 2017 were \$291,000, a decrease of approximately \$797,000 from 2016 to 2017 (\$1,088,000 in 2016, an increase of approximately \$706,000 from 2015 to 2016).

The Hospital reported expenditures for the year of \$16.2 million, an increase of approximately \$1,252,000 or 8.4% from 2016 to 2017 (\$14.9 million in 2016, an increase of approximately \$366,000 (2.5%) from 2015 to 2016).

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Hospital's financial activities.

The basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. These statements provide information about the activities of the Hospital on a comparative basis, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

Required Supplementary Information further explains and supports the financial statements with a comparison of the Hospital's budget for the year, and the Hospital's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the operations of the Hospital, including various comparative statistical and financial information.

REPORTING THE HOSPITAL'S FINANCIAL ACTIVITIES

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

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 report information about the Hospital's resources and its activities in a way which helps answer this question. These statements include all assets (restricted and unrestricted), deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position, which is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources as one way to measure the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial position is improving or deteriorating. Additional factors, such as changes in the Hospital's patient base, changes in local medical staff, access to visiting medical specialists, the Hospital's short and long term strategy, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic conditions, are also important in making this determination.

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

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 deferred outflows of resources, and liabilities and deferred inflows of resources 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>2017</u>	<u>2016</u>	<u>2015</u>
Assets and Deferred Outflows of Resources:			
Current assets	\$ 8,059,123	\$ 8,035,424	\$ 7,126,673
Capital assets, net	9,316,051	9,211,098	9,930,992
Other noncurrent assets	37,891	58,880	79,867
Deferred outflows of resources	<u>1,639,262</u>	<u>736,458</u>	<u>458,436</u>
Total assets and deferred outflows of resources	<u>\$ 19,052,327</u>	<u>\$ 18,041,860</u>	<u>\$ 17,595,968</u>
Liabilities:			
Current liabilities	\$ 3,077,423	\$ 2,781,474	\$ 2,910,743
Long-term debt	1,080,000	1,560,000	2,070,588
Net pension liability	<u>5,462,257</u>	<u>4,226,791</u>	<u>3,608,795</u>
Total liabilities	9,619,680	8,568,265	8,590,126
Deferred Inflows of Resources	1,995,565	2,327,855	2,948,290
Net Position:			
Invested in capital assets, net of related debt	7,571,554	6,966,251	7,256,537
Restricted - expendable	241,725	241,580	241,977
Unrestricted	<u>(376,197)</u>	<u>(62,091)</u>	<u>(1,440,962)</u>
Total net position	<u>7,437,082</u>	<u>7,145,740</u>	<u>6,057,552</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 19,052,327</u>	<u>\$ 18,041,860</u>	<u>\$ 17,595,968</u>

A significant component of the change in the Hospital's assets is the increase in Succeeding year property tax receivables by \$58,000 or 3.6%.

The most significant component of the change in the Hospital's liabilities was a \$480,000 decrease in revenue bonds within long-term liabilities.

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, 2017, 2016, and 2015.

Table 2
Condensed Operating Results and Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenue:			
Net patient service revenue	\$ 14,656,767	\$ 14,066,926	\$ 13,251,173
Other revenue	206,751	202,209	192,479
Total revenue	<u>14,863,518</u>	<u>14,269,135</u>	<u>13,443,652</u>
Expenses:			
Salaries and benefits	9,514,176	8,573,845	8,119,659
Professional fees	1,152,702	1,167,659	982,477
Supplies, contract services, equipment & other operating expenses	4,305,001	3,961,682	4,141,820
Depreciation and amortization	<u>1,213,045</u>	<u>1,230,012</u>	<u>1,322,838</u>
Total expenses	<u>16,184,924</u>	<u>14,933,198</u>	<u>14,566,794</u>
Operating Loss	<u>(1,321,406)</u>	<u>(664,063)</u>	<u>(1,123,142)</u>
Nonoperating Revenues and Expenses:			
County taxes	1,672,538	1,649,902	1,599,882
Investment income	2,583	3,290	3,830
Noncapital grants and contributions	14,054	9,751	15,367
Interest expense	<u>(76,427)</u>	<u>(97,008)</u>	<u>(119,875)</u>
Other nonoperating revenues and expenses, net	<u>--</u>	<u>186,316</u>	<u>--</u>
	<u>1,612,748</u>	<u>1,752,251</u>	<u>1,499,204</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	291,342	1,088,188	376,062
Capital Grants and Contributions	<u>--</u>	<u>--</u>	<u>6,570</u>
Increase in net position	291,342	1,088,188	382,632
Net Position Beginning of Year	<u>7,145,740</u>	<u>6,057,552</u>	<u>5,674,920</u>
Net Position End of Year	<u>\$ 7,437,082</u>	<u>\$ 7,145,740</u>	<u>\$ 6,057,552</u>

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING LOSSES/INCOME

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, the operating loss increased, partially due to an increase in the recorded pension liability.

Management's goal in 2017 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 2017 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

Overall, operating loss increased \$657,000. The primary components of the increases within operating losses was an increase in salaries and benefits expense together with an increase in supplies and equipment expense. In total, operating expenses increased \$1,252,000 (8.4%), coupled with an increase in operating revenues of only \$594,000 (4.2%).

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 decreased by \$139,503 comparing fiscal 2017 and 2016 (increased by \$253,047 comparing fiscal 2016 and 2015).

GRANTS, CONTRIBUTIONS, AND ENDOWMENTS

The Hospital actively seeks contributions through its Foundation and continues to explore applicable grant opportunities. Presently, the hospital is working on replacing its emergency generator. The cost to replace the generator is \$423,700. The hospital applied to The Guthrie County Community Foundation in 2016 and was awarded a grant in the amount of \$61,000.

THE HOSPITAL'S CASH FLOW

Cash flows used in operating activities for 2017 were \$173,238. Comparatively, for fiscal 2016, cash flows provided by operating activities were (\$415,705), a net change of \$588,943. The net change is primarily due to significant changes in third-party payor settlements, which provided positive cash flow of \$436,000 in 2017, but used cash of \$343,000 in 2016.

BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2017, was prepared on the modified accrual basis. Actual budget basis revenues were lower than the budgeted amount of \$16,877,000 by \$325,000, or about 1.9 percent. Actual expenditures were slightly higher than budgeted expenditures. Actual budget basis expenditures were \$16,254,000 as compared to budgeted expenditures of \$16,203,000, a difference of \$51,000 or about 0.3 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 \$1,310,581. The following table, Table 3, presents a list of significant capital items:

**Table 3
Capital Investments**

Capital Investments	Vendor	Department	2017 Cost
Lobby/Infusion Suite	TBB&M	Facility	\$ 731,253
IT Server Upgrade	Scale/Workspot	IT	148,379
Parking Lot Concrete	Scott Concrete	Specialty Clinic	80,861

Capital assets for the years ended June 30, 2017, 2016, and 2015 are shown in the following table, Table 4:

**Table 4
Capital Assets**

	2017	2016	2015
Land and land improvements	\$ 1,240,996	\$ 1,240,996	\$ 1,240,996
Buildings	12,548,515	11,806,600	11,836,924
Fixed equipment	2,145,948	2,130,691	2,095,361
Major movable equipment	6,994,902	6,529,109	6,141,279
Subtotal	22,930,361	21,707,396	21,314,560
Less accumulated depreciation	13,827,035	12,621,407	11,521,844
Construction in progress	212,725	125,109	138,276
Net capital assets	<u>\$ 9,316,051</u>	<u>\$ 9,211,098</u>	<u>\$ 9,930,992</u>

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

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

Debt:

At year-end, the Hospital had \$1,560,000 in short-term and long-term debt. The total debt amount decreased by \$510,588 in fiscal year 2017. 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 9.0% of the Hospital's total assets at June 30, 2017.

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 AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash	\$ 3,527,169	\$ 3,546,766
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$574,000 in 2017, \$637,000 in 2016)	1,741,863	1,723,785
Grant receivables	4,623	4,623
Other receivables	27,813	17,641
Inventory	418,028	387,553
Prepaid expense	174,515	243,104
Other current assets	19,027	20,304
Succeeding year property tax receivable	1,653,000	1,595,000
Designated and restricted assets	<u>493,085</u>	<u>496,648</u>
Total current assets	8,059,123	8,035,424
Designated and Restricted Assets:		
Internally designated assets	251,360	255,068
Restricted assets	<u>241,725</u>	<u>241,580</u>
	493,085	496,648
Less amounts required to meet current liabilities	<u>493,085</u>	<u>496,648</u>
	--	--
Capital Assets:		
Depreciable capital assets, net	8,990,335	8,972,998
Non-depreciable capital assets	<u>325,716</u>	<u>238,100</u>
	9,316,051	9,211,098
Other Assets:		
Notes Receivable	13,571	27,143
Other	<u>24,320</u>	<u>31,737</u>
	37,891	58,880
Total assets	17,413,065	17,305,402
Deferred Outflows of Resources - Pension	<u>1,639,262</u>	<u>736,458</u>
Total assets and deferred outflows of resources	<u>\$ 19,052,327</u>	<u>\$ 18,041,860</u>

The accompanying notes are an integral part of these statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<u>2017</u>	<u>2016</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 480,000	\$ 510,588
Accounts payable	624,282	535,276
Accrued employee compensation	544,507	713,082
Payroll taxes withheld and accrued	31,832	63,511
Accrued interest payable	1,802	17
Estimated third-party payor settlements	<u>1,395,000</u>	<u>959,000</u>
Total current liabilities	3,077,423	2,781,474
Long-Term Liabilities:		
Revenue bonds, less current maturities	1,080,000	1,560,000
Net pension liability	<u>5,462,257</u>	<u>4,226,791</u>
Total long-term liabilities	<u>6,542,257</u>	<u>5,786,791</u>
Total liabilities	9,619,680	8,568,265
Deferred Inflows of Resources:		
Unavailable property tax revenue	1,653,000	1,595,000
Pension related costs	<u>342,565</u>	<u>732,855</u>
Total deferred inflows of resources	<u>1,995,565</u>	<u>2,327,855</u>
Net Position:		
Invested in capital assets, net of related debt	7,571,554	6,966,251
Restricted - expendable	241,725	241,580
Unrestricted	<u>(376,197)</u>	<u>(62,091)</u>
Total net position	<u>7,437,082</u>	<u>7,145,740</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 19,052,327</u>	<u>\$ 18,041,860</u>

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

	2017	2016
Revenue:		
Net patient service revenue	\$ 14,656,767	\$ 14,066,926
Other revenue	206,751	202,209
Total revenue	14,863,518	14,269,135
Expenses:		
Nursing service	3,265,986	3,236,222
Other professional service	4,807,714	4,646,965
Physician services	2,774,483	2,552,973
General service	1,318,133	1,276,610
Fiscal and administrative service	2,805,563	1,990,416
Provision for depreciation	1,205,628	1,222,596
Amortization	7,417	7,416
Total expenses	16,184,924	14,933,198
Operating Loss	(1,321,406)	(664,063)
Non-Operating Revenues (Expenses):		
County taxes	1,672,538	1,649,902
Investment income	2,583	3,290
Noncapital grants and contributions	14,054	9,751
Gain on capital asset impairment (Note L)	--	186,316
Interest expense	(76,427)	(97,008)
Non-operating revenues, net	1,612,748	1,752,251
Excess of Revenues Over Expenses and Increase in Net Position	291,342	1,088,188
Net Position Beginning of Year	7,145,740	6,057,552
Net Position End of Year	\$ 7,437,082	\$ 7,145,740

The accompanying notes are an integral part of these statements.

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

	2017	2016
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 15,064,517	\$ 13,275,287
Cash paid to suppliers	(7,819,386)	(7,402,902)
Cash paid to employees	(7,278,644)	(6,490,299)
Other revenue	206,751	202,209
Net cash provided by (used in) operating activities	173,238	(415,705)
Cash flows from non-capital financing activities:		
County tax revenue	1,672,538	1,649,902
Noncapital grants and contributions	14,054	10,197
Net cash provided by non-capital financing activities	1,686,592	1,660,099
Cash flows from capital and related financing activities:		
Capital expenditures	(436,025)	(350,384)
Construction in progress expenditures	(864,318)	(46,034)
Proceeds from disposal of equipment	--	250,266
Principal paid on long-term debt	(480,000)	(480,000)
Principal paid on capital leases	(30,588)	(119,842)
Interest paid	(74,642)	(97,073)
Net cash used in capital and related financing activities	(1,885,573)	(843,067)
Cash flows from investing activities:		
Investment income	2,583	3,290
Change in designated and restricted assets	(145)	473
Net cash provided by investing activities	2,438	3,763
Net increase (decrease) in cash and cash equivalents	(23,305)	405,090
Cash and cash equivalents at beginning of year	3,803,390	3,398,300
Cash and cash equivalents at end of year	\$ 3,780,085	\$ 3,803,390
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents in current assets	\$ 3,527,169	\$ 3,546,766
Cash and cash equivalents in designated and restricted assets	252,916	256,624
Total cash and cash equivalents	\$ 3,780,085	\$ 3,803,390

(continued next page)

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

	2017	2016
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$(1,321,406)	\$(664,063)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	1,205,628	1,222,596
Amortization	20,989	20,987
Change in assets and liabilities		
Accounts receivable	(28,250)	(448,639)
Inventory	(30,475)	(25,102)
Prepaid expense	68,589	(6,094)
Other current assets	1,277	(1,745)
Deferred outflows of resources - pension	(902,804)	(278,022)
Accounts payable, trade	78,768	24,241
Accrued employee compensation	(168,575)	95,074
Payroll taxes withheld and accrued	(31,679)	13,501
Estimated third-party payor settlements	436,000	(343,000)
Net pension liability	1,235,466	617,996
Deferred pension cost	(390,290)	(643,435)
Total adjustments	1,494,644	248,358
Net cash provided by (used in) operating activities	\$ 173,238	\$(415,705)

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

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 Guthrie County Hospital Foundation (Foundation) has been identified as a legally separate component unit of the Hospital. The Foundation is a not-for-profit corporation exempt from income tax under Section 501 of the Internal Revenue Code. Substantially all of the economic resources of the Foundation are designated for the direct benefit of the Hospital.

These financial statements do not include the financial information of the Foundation. Separate financial statements have been issued which include the discretely presented financial statements of the Foundation with those of the Hospital.

2. Basis of Presentation

The Statement of Net Position displays the Hospital's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position:

- a. *Nonexpendable* - Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.
- b. *Expendable* - Expendable net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

When both restricted and unrestricted net position is available for use, generally it is the Hospital's policy to use restricted net position first.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

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

3. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

4. 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

5. 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.

6. Accounts Receivable

Accounts receivable are shown at the amount expected to be collected after determining an allowance for doubtful accounts and for contractual adjustments.

7. Inventory Valuation

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

8. 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.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

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

9. Designated and Restricted Assets

Internally designated assets consist primarily of funds designated by the Board of Trustees for capital acquisitions. The Board retains control over these funds, and may, at its discretion, subsequently use them for other purposes. Restricted assets include donor restricted gifts, and funds whose use is limited by law, bond covenants or contractual agreements.

10. 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 fifty years for buildings and land improvements and three to twenty years for equipment).

11. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital did not capitalize any interest cost in 2017 or 2016.

12. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

13. 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.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

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

14. Compensated Absences

Hospital policies permit most employees to accumulate vacation, holiday, and sick time benefits that may be realized as paid time off. Expense and the related liability are recognized as benefits are earned. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

15. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

16. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position applicable to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

17. Statement of Revenues, Expenses and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses. Property tax levied to finance the current year is included as non-operating revenues and peripheral or incidental transactions are reported as non-operating revenues and expenses.

18. 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, 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.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

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

19. 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.

20. Charity Care

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

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

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

Medicare - Inpatient acute services, inpatient nonacute 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.

Medicaid - Through March of 2016 the Medicaid payment system was similar to Medicare. In April, 2016 the State of Iowa Medicaid program switched to a managed care payment system, with payment rates based on previous year cost reports. The Hospital will continue to file cost reports to determine payment rates for future years.

The Hospital's Medicare cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2015. The Medicaid cost reports have been finalized through June 30, 2014. However, finalized cost reports are subject to re-opening by the intermediary 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, 2017 and 2016

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS - Continued

A schedule of patient service revenue and related adjustments for the years ended June 30, 2017 and 2016 follows:

	2017	2016
Gross patient service revenue:		
Inpatient and swing bed services	\$ 4,772,596	\$ 4,834,610
Outpatient	9,916,238	9,954,353
Physician services	2,904,873	2,639,050
Total gross patient service revenue	17,593,707	17,428,013
Deductions from gross patient service revenue:		
Medicare	676,136	1,083,131
Medicaid	444,451	474,556
Provision for bad debts	274,611	271,063
Charity care	143,865	25,225
Other deductions	1,397,877	1,507,112
Total deductions from gross patient service revenue	2,936,940	3,361,087
Net patient service revenue	\$ 14,656,767	\$ 14,066,926

NOTE C - RESTRICTED NET POSITION

Restricted expendable assets are available for the following purposes:

	2017	2016
Long-term debt	\$ 240,169	\$ 240,024
Purchase of property and equipment	1,556	1,556
	\$ 241,725	\$ 241,580

The Hospital has no restricted non-expendable assets or endowments at June 30, 2017 or 2016.

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

	2017	2016
Payment of long-term debt	\$ --	\$ 397

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE D - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2017 and 2016 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; common stocks; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The composition of designated and restricted assets is as follows:

	2017	2016
Internally Designated Assets:		
Capital acquisitions:		
Cash and cash equivalents	\$ 251,360	\$ 255,068
Restricted Assets:		
Certificates of deposit	\$ 240,169	\$ 240,024
Cash and cash equivalents	1,556	1,556
	\$ 241,725	\$ 241,580

Investment income for designated and restricted assets, cash equivalents, and other investments is comprised of the following for the year ended June 30:

	2017	2016
Interest income	\$ 2,583	\$ 3,290

Interest Rate Risk - 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) to 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.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE E - 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, 2017 and 2016, was as follows:

	2017	2016
Receivable from:		
Patients	\$ 924,051	\$ 603,644
Medicare	569,049	792,741
Medicaid	324,611	114,060
Wellmark	318,855	407,761
Other commercial insurance carriers	179,297	442,579
	2,315,863	2,360,785
Less allowances for doubtful accounts and contractual adjustments	574,000	637,000
	\$ 1,741,863	\$ 1,723,785

NOTE F - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2017 and 2016 were as follows:

<u>Cost</u>	Balance 2016	Additions	Disposals	Balance 2017
Land Improvements	\$ 1,128,005	\$ --	\$ --	\$ 1,128,005
Buildings	11,806,600	741,915	--	12,548,515
Fixed Equipment	2,130,691	15,257	--	2,145,948
Major Movable Equipment	6,529,109	465,793	--	6,994,902
	21,594,405	1,222,965	--	22,817,370
<u>Depreciation</u>				
Land Improvements	654,161	55,787	--	709,948
Buildings	5,499,819	382,074	--	5,881,893
Fixed Equipment	1,583,336	96,045	--	1,679,381
Major Movable Equipment	4,884,091	671,722	--	5,555,813
Total Depreciation	12,621,407	1,205,628	--	13,827,035
Total Depreciable Capital Assets, Net	\$ 8,972,998	\$ 17,337	\$ --	\$ 8,990,335
Construction in Progress	\$ 125,109	\$ 967,247	\$ 879,631	\$ 212,725
Land	112,991	--	--	112,991
Total Non-Depreciable Capital Assets	\$ 238,100	\$ 967,247	\$ 879,631	\$ 325,716

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE F - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2016</u>
Land Improvements	\$ 1,128,005	\$ --	\$ --	\$ 1,128,005
Buildings	11,836,924	33,626	63,950	11,806,600
Fixed Equipment	2,095,361	35,330	--	2,130,691
Major Movable Equipment	<u>6,141,279</u>	<u>510,863</u>	<u>123,033</u>	<u>6,529,109</u>
	21,201,569	579,819	186,983	21,594,405
<u>Depreciation</u>				
Land Improvements	597,906	56,255	--	654,161
Buildings	5,107,339	392,480	--	5,499,819
Fixed Equipment	1,482,645	100,691	--	1,583,336
Major Movable Equipment	<u>4,333,954</u>	<u>673,170</u>	<u>123,033</u>	<u>4,884,091</u>
Total Depreciation	<u>11,521,844</u>	<u>1,222,596</u>	<u>123,033</u>	<u>12,621,407</u>
Total Depreciable Capital Assets, Net	<u>\$ 9,679,725</u>	<u>\$(642,777)</u>	<u>\$ 63,950</u>	<u>\$ 8,972,998</u>
Construction in Progress	\$ 138,276	\$ 98,279	\$ 111,446	\$ 125,109
Land	<u>112,991</u>	<u>--</u>	<u>--</u>	<u>112,991</u>
Total Non-Depreciable Capital Assets	<u>\$ 251,267</u>	<u>\$ 98,279</u>	<u>\$ 111,446</u>	<u>\$ 238,100</u>

NOTE G - LONG-TERM LIABILITIES

A schedule of changes in the Hospital's long-term liabilities for the years ended June 30, 2017 and 2016 follows:

	<u>Balance 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2017</u>	<u>Current Portion</u>
Long-Term Debt:					
Series 2006 Revenue Bonds	\$ 760,000	\$ --	\$ 160,000	\$ 600,000	\$ 160,000
Series 2009 Revenue Bonds	1,280,000	--	320,000	960,000	320,000
Capital Lease Obligation	30,588	--	30,588	--	--
Net Pension Liability	<u>4,226,791</u>	<u>1,235,466</u>	<u>--</u>	<u>5,462,257</u>	<u>--</u>
Total Long-Term Liabilities	<u>\$6,297,379</u>	<u>\$1,235,466</u>	<u>\$ 510,588</u>	<u>\$7,022,257</u>	<u>\$ 480,000</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE G - LONG-TERM LIABILITIES - Continued

	<u>Balance 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2016</u>	<u>Current Portion</u>
Long-Term Debt:					
Series 2006 Revenue Bonds	\$ 920,000	\$ --	\$ 160,000	\$ 760,000	\$ 160,000
Series 2009 Revenue Bonds	1,600,000	--	320,000	1,280,000	320,000
Capital Lease Obligation	150,430	--	119,842	30,588	30,588
Net Pension Liability	<u>3,608,795</u>	<u>617,996</u>	<u>--</u>	<u>4,226,791</u>	<u>--</u>
 Total Long-Term Liabilities	 <u>\$6,279,225</u>	 <u>\$ 617,996</u>	 <u>\$ 599,842</u>	 <u>\$6,297,379</u>	 <u>\$ 510,588</u>

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, 2018. 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 that date, provided however, that the adjusted interest rate shall not be 2% higher or lower than the immediately preceding adjusted interest rate and the adjusted interest rate shall not 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, 2018. 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 that date, provided however, that the adjusted interest rate shall not be 2% higher or lower than the immediately preceding adjusted interest rate and the adjusted interest rate shall not 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 40% of cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately \$587,000 and \$1,537,000, respectively.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE G - LONG-TERM 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 carried an interest rate of 3.33%, consisted of major movable equipment items with totals as follows. The lease was paid off during the year ended June 30, 2017:

	2017	2016
Cost	\$ --	\$ 578,305
Less: Accumulated Amortization	--	549,390
Net Book Value	\$ --	\$ 28,915

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

Year Ending June 30,	Long-Term Debt		Total
	Principal	Interest	
2018	\$ 480,000	\$ 55,222	\$ 535,222
2019	480,000	36,022	516,022
2020	480,000	16,822	496,822
2021	120,000	2,400	122,400
	\$ 1,560,000	\$ 110,466	\$ 1,670,466

The pension liability, as further described in Note H, represents an actuarial estimate of the Hospital's share of the Iowa Public Employee Retirement System (IPERS) unfunded pension liability.

NOTE H - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Hospital, except for those covered by another retirement system. Employees of the Hospital are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE H - PENSION PLAN - Continued

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE H - PENSION PLAN - Continued

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Hospital contributed 8.93% of covered payroll for a total rate of 14.88%.

The Hospital's contributions to IPERS for the year ended June 30, 2017 were \$625,752.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the Hospital reported a liability of \$5,462,257 for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the Hospital's proportion was 0.0867946%, which was an increase of 0.0012404% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Hospital recognized pension expense of \$548,433. At June 30, 2017, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 48,276	\$ 65,190
Changes of assumptions	83,337	--
Net difference between projected and actual earnings on pension plan investments	778,199	--
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	103,698	277,375
Hospital contributions subsequent to the measurement date	<u>625,752</u>	<u>--</u>
	<u>\$ 1,639,262</u>	<u>\$ 342,565</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE H - PENSION PLAN - Continued

The \$625,752, reported as deferred outflows of resources related to pensions resulting from the Hospital contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$ 25,563
2019	25,563
2020	375,322
2021	241,645
2022	2,852
	\$ 670,945

There were no non-employer contribution entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increases (effective June 30, 2010)	4.00% to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE H - PENSION PLAN - Continued

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Hospital will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Hospital's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Hospital's proportionate share of the net pension liability	<u>\$ 8,837,192</u>	<u>\$ 5,462,257</u>	<u>\$ 2,613,767</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE H - PENSION PLAN - Continued

IPERS Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2017, the Hospital reported payables to IPERS of \$9,944 for legally required employer contributions and \$ - 0 - for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE I - AFFILIATED ORGANIZATION

Unity Point Health (Unity Point)

The Hospital has an operating agreement with Unity Point. 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, 2017 and 2016:

	2017	2016
Fees to Unity Point for personnel and services	\$ 244,057	\$ 248,816

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, 2017 and 2016 follows:

	(Unaudited)	
	2017	2016
Assets	\$ 4,497,229	\$ 237,034
Net Position	\$ 4,497,229	\$ 237,034

The Hospital received \$1,882 and \$4,419 from the Foundation during the years ended June 30, 2017 and 2016, respectively, for operating assistance. No funds were received from the Foundation during the years ended June 30, 2017 and 2016 for the purchase of property and equipment.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE J - 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 90 active employees and no 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.

Net OPEB Obligation: Management of the Hospital considers any OPEB obligation, which may exist, to be immaterial.

NOTE K - 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.

Litigation

The Hospital has been named as a defendant in a lawsuit. Legal counsel is unable to evaluate the eventual outcome of the lawsuit. Management believes that, should any liability eventually result, the Hospital's insurance coverage is adequate to cover any potential settlement. Therefore, no related liability has been accrued.

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 \$212,725 in construction in progress at June 30, 2017 is related to various small projects for which no material commitments exist as of the date of this report. Any additional funding will be provided by funds generated internally.

Subsequent Events

The Hospital has evaluated all subsequent events through October 26, 2017, the date the financial statements were available to be issued.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE L - GAIN FROM IMPAIRMENT OF ASSET

During the year ended June 30, 2016, the Hospital building roof and facade sustained damage from a hail storm. The amount of the impairment based on anticipated costs to restore the utility of the asset is estimated by management to be \$63,950. Insurance proceeds in the amount of \$250,266 were received for the damage. The insurance proceeds and estimated repair costs have been netted on the Statements of Revenues, Expenses and Changes in Net Position, resulting in a reported gain of \$186,316.

NOTE M - BUDGETARY COMPARISON

The budgetary comparison schedule is reported as Required Supplementary Information. For the year ended June 30, 2017, the Hospital's actual budget basis expenses exceeded the amount budgeted.

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REQUIRED SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
 Budgetary Comparison Schedule
 Year Ended June 30, 2017

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. For the year ended June 30, 2017, the Hospital's expenses exceeded the amount budgeted.

	Per Financial Statements			
	Unrestricted Fund	Restricted Fund	Total	
Amount raised by taxation	\$ 1,672,538	\$ --	\$ 1,672,538	
Other revenues	14,803,728	--	14,803,728	
Transfers in (out)	(145)	145	--	
	16,476,121	145	16,476,266	
Expenses	16,184,924	--	16,184,924	
Net	291,197	145	291,342	
Balance beginning of year	6,904,160	241,580	7,145,740	
Balance end of year	\$ 7,195,357	\$ 241,725	\$ 7,437,082	
	Total Per Financial Statements	Budget Adjustments	Budget Basis	Adopted Budget
Amount raised by taxation	\$ 1,672,538	\$ --	\$ 1,672,538	\$ 1,595,438
Other revenues	14,803,728	76,427	14,880,155	15,281,872
	16,476,266	76,427	16,552,693	16,877,310
Expenses	16,184,924	69,010	16,253,934	16,202,800
Net	291,342	7,417	298,759	674,510
Balance beginning of year	7,145,740	4,294,757	11,440,497	11,440,497
Balance end of year	\$ 7,437,082	\$ 4,302,174	\$ 11,739,256	\$ 12,115,007

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Schedule of the Hospital's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Three Years

Required Supplementary Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Hospital's proportion of the net pension liability	0.0867946%	0.0855542%	0.0909955%
Hospital's proportionate share of the net pension liability	\$ 5,462,000	\$ 4,227,000	\$ 3,609,000
Hospital's covered-employee payroll	\$ 6,229,000	\$ 5,868,000	\$ 5,977,000
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.69%	72.03%	60.38%
Plan fiduciary net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

Note - In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year. Amounts reported are rounded.

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Schedule of Hospital Pension Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years

Required Supplementary Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 625,800	\$ 556,000	\$ 525,000	\$ 531,700
Contributions in relation to the statutorily required contribution	<u>(625,800)</u>	<u>(556,000)</u>	<u>(525,000)</u>	<u>(531,700)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Hospital's covered-employee payroll	\$ 7,058,000	\$ 6,229,000	\$ 5,868,000	\$ 5,977,000
Contributions as a percentage of covered-employee payroll	8.87%	8.93%	8.95%	8.90%

See Independent Auditor's Report.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 532,300	\$ 466,700	\$ 399,700	\$ 363,000	\$ 308,500	\$ 268,300
<u>(532,300)</u>	<u>(466,700)</u>	<u>(399,700)</u>	<u>(363,000)</u>	<u>(308,500)</u>	<u>(268,300)</u>
<u>\$ --</u>					
\$ 6,140,000	\$ 5,783,000	\$ 5,751,000	\$ 5,459,000	\$ 4,858,000	\$ 4,436,000
8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

GUTHRIE COUNTY HOSPITAL
Notes to Required Supplementary Information - Pension Liability
Year Ended June 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

* * *

SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
Patient Receivables
June 30,

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>Percent To Total</u>	<u>Amount</u>	<u>Percent To Total</u>
In hospital - 30	\$ 1,398,447	60%	\$ 1,359,728	58%
31 - 60	256,740	11	424,145	18
61 - 90	163,410	7	116,148	5
91 - 120	95,606	4	125,566	5
121 and over	401,660	18	335,198	14
	<u>2,315,863</u>	<u>100%</u>	<u>2,360,785</u>	<u>100%</u>
Allowance for doubtful accounts	349,000		323,000	
Allowance for contractual adjustments	<u>225,000</u>		<u>314,000</u>	
	<u>\$ 1,741,863</u>		<u>\$ 1,723,785</u>	

Allowance for Doubtful Accounts:

	<u>Year ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Balance, beginning	\$ 323,000	\$ 250,000
Provision for bad debts	274,611	271,063
Recoveries of accounts previously written off	<u>183,894</u>	<u>212,866</u>
	781,505	733,929
Accounts written off	<u>432,505</u>	<u>410,929</u>
Balance, ending	<u>\$ 349,000</u>	<u>\$ 323,000</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Inventory/Prepaid Expense
June 30,

	2017	2016
<u>Inventory</u>		
Medical and surgical supplies	\$ 213,011	\$ 205,862
Laboratory	43,678	33,677
Pharmacy	142,120	128,795
Other	19,219	19,219
	\$ 418,028	\$ 387,553
 <u>Prepaid Expense</u>		
Insurance	\$ 25,507	\$ 26,344
Service contracts and dues	149,008	216,760
	\$ 174,515	\$ 243,104

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Patient Service Revenue
Year ended June 30,

	2017	
	Inpatient	Outpatient
Daily Patient Services:		
Medical, surgical and obstetric	\$ 1,495,606	\$ --
Swing bed	--	--
	1,495,606	--
Other Nursing Services:		
Cardiac rehabilitation	--	143,688
Operating and recovery rooms	668,998	1,023,427
Emergency room	32,122	1,144,060
Central services and supply	48,959	82,859
Intravenous therapy	77,228	101,255
Observation	14,715	122,905
	842,022	2,618,194
Other Professional Services:		
Emergency room professional	6,282	323,599
Laboratory	364,691	2,175,433
Blood	37,936	35,258
Electrocardiology	7,160	47,137
Radiology	36,445	491,513
CT scan	124,624	1,074,951
Ultrasound	24,573	306,403
Mammography	--	225,201
Nuclear imaging	--	33,201
MRI	43,724	581,664
Pharmacy	490,044	822,449
Anesthesia	38,220	121,977
Respiratory therapy	192,501	159,620
Speech therapy	16,225	60,566
Physical therapy	90,953	789,824
Occupational therapy	10,217	39,253
Outpatient clinics	--	870
Diabetic education	--	9,125
Hospice	--	--
Clinic professional fees	--	--
Surgery professional fees	--	--
	1,483,595	7,298,044
	\$ 3,821,223	\$ 9,916,238

See Independent Auditor's Report.

	2017		2016	
Swing Bed	Physician Services	Total	Total	
\$ --	\$ --	\$ 1,495,606	\$ 1,182,867	
304,447	--	304,447	324,186	
<u>304,447</u>	<u>--</u>	<u>1,800,053</u>	<u>1,507,053</u>	
--	--	143,688	193,325	
860	--	1,693,285	1,902,483	
--	--	1,176,182	1,150,412	
20,784	--	152,602	167,445	
14,397	--	192,880	185,637	
--	--	137,620	224,694	
<u>36,041</u>	<u>--</u>	<u>3,496,257</u>	<u>3,823,996</u>	
--	--	329,881	344,554	
100,387	74,156	2,714,667	2,544,784	
6,139	--	79,333	63,065	
600	11,010	65,907	63,326	
9,633	4,645	542,236	604,200	
8,716	2,510	1,210,801	1,163,712	
7,943	2,072	340,991	309,978	
--	--	225,201	250,488	
939	--	34,140	24,258	
6,403	3,864	635,655	640,738	
208,104	--	1,520,597	1,402,153	
475	--	160,672	186,160	
100,455	--	452,576	650,684	
22,380	--	99,171	113,864	
104,540	--	985,317	1,083,505	
24,177	--	73,647	73,390	
--	--	870	660	
--	--	9,125	14,253	
9,994	--	9,994	14,424	
--	2,391,106	2,391,106	2,080,999	
--	415,510	415,510	467,769	
<u>610,885</u>	<u>2,904,873</u>	<u>12,297,397</u>	<u>12,096,964</u>	
\$ 951,373	\$ 2,904,873	\$ 17,593,707	\$ 17,428,013	

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

	2017	2016
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 17,593,707	\$ 17,428,013
Contractual adjustments	(2,518,464)	(3,064,799)
Provision for bad debts	(274,611)	(271,063)
Charity care	(143,865)	(25,225)
	<u>\$ 14,656,767</u>	<u>\$ 14,066,926</u>
 <u>Other Revenue</u>		
Dietary revenue	\$ 22,127	\$ 18,627
Congregate meals	64,131	47,792
Ancillary service coverage revenue	26,589	32,989
Outpatient clinic rental	31,699	33,673
Fitness center	54,646	53,467
Purchase discounts	395	3,528
Wellness revenue	500	1,839
Pharmacy student income	--	2,000
Miscellaneous income	6,664	8,294
	<u>\$ 206,751</u>	<u>\$ 202,209</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses
Year ended June 30,

	2017	2016
Administrative:		
Salaries and wages	\$ 92,243	\$ 66,924
Employee benefits	33,589	25,496
Supplies and other expense	2,849	5,699
	128,681	98,119
Medical, Surgical and Obstetric:		
Salaries and wages	943,975	956,677
Employee benefits	355,775	341,116
Supplies and other expense	280,391	183,664
	1,580,141	1,481,457
Cardiac Rehabilitation:		
Salaries and wages	82,697	65,498
Employee benefits	15,687	10,939
Supplies and other expense	3,935	5,550
	102,319	81,987
Operating and Recovery Rooms:		
Salaries and wages	214,397	205,931
Employee benefits	67,537	66,059
Purchased services	--	2,868
Professional fees	38,856	40,900
Supplies and other expense	511,530	667,421
	832,320	983,179
Emergency Room:		
Salaries and wages	282,869	253,941
Employee benefits	94,663	74,645
Supplies and other expense	87,636	102,572
	465,168	431,158

(continued next page)

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

	2017	2016
Central Services and Supply:		
Salaries and wages	\$ 91,690	\$ 82,482
Employee benefits	54,193	51,414
Supplies and other expense	11,453	21,876
	157,336	155,772
 Intravenous Therapy:		
Supplies and other expense	21	4,550
	\$ 3,265,986	\$ 3,236,222

SUMMARY

Salaries and wages	\$ 1,707,871	\$ 1,631,453
Employee benefits	621,444	569,669
Professional fees	38,856	40,900
Supplies and other expense	897,815	994,200
	\$ 3,265,986	\$ 3,236,222

See Independent Auditor's Report.

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

	<u>2017</u>	<u>2016</u>
Emergency Room Professional:		
Salaries and wages	\$ 685,975	\$ 655,006
Employee benefits	142,346	135,796
Professional fees	84,574	73,606
Supplies and other expense	<u>6,136</u>	<u>2,950</u>
	919,031	867,358
Laboratory:		
Salaries and wages	236,281	236,457
Employee benefits	54,122	64,427
Professional fees	1,269	1,181
Supplies and other expense	<u>397,377</u>	<u>347,890</u>
	689,049	649,955
Blood:		
Blood	32,442	27,124
Electrocardiology:		
Salaries and wages	27,464	15,216
Employee benefits	12,013	4,514
Supplies and other expense	<u>875</u>	<u>210</u>
	40,352	19,940
Radiology:		
Salaries and wages	214,510	213,769
Employee benefits	67,858	74,539
Supplies and other expense	<u>107,474</u>	<u>113,009</u>
	389,842	401,317
CT Scan:		
Salaries and wages	19,062	19,139
Employee benefits	5,478	6,314
Supplies and other expense	<u>119,020</u>	<u>110,678</u>
	143,560	136,131
Ultrasound:		
Salaries and wages	9,478	7,146
Employee benefits	4,234	2,828
Supplies and other expense	<u>70,824</u>	<u>71,327</u>
	84,536	81,301

(continued next page)

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

	<u>2017</u>	<u>2016</u>
Mammography:		
Salaries and wages	\$ 5,947	\$ 7,065
Employee benefits	2,162	2,476
Supplies and other expense	<u>65,230</u>	<u>88,230</u>
	73,339	97,771
Nuclear Imaging:		
Supplies and other expense	22,346	14,975
MRI:		
Supplies and other expense	88,612	99,372
Pharmacy:		
Salaries and wages	323,156	316,612
Employee benefits	94,107	89,856
Professional fees	21,709	9,528
Drugs	362,020	282,454
Supplies and other expense	<u>44,357</u>	<u>42,058</u>
	845,349	740,508
Anesthesia:		
Professional fees	154,200	164,970
Supplies and other expense	<u>367</u>	<u>357</u>
	154,567	165,327
Respiratory Therapy:		
Salaries and wages	91,191	92,113
Employee benefits	37,394	32,165
Oxygen, supplies and other expense	<u>36,041</u>	<u>80,155</u>
	164,626	204,433
Speech Therapy:		
Salaries and wages	41,170	58,469
Employee benefits	12,450	16,335
Professional fees	9,132	--
Supplies and other expense	<u>1,458</u>	<u>567</u>
	64,210	75,371
Physical Therapy:		
Salaries and wages	318,216	318,924
Employee benefits	105,668	106,052
Supplies and other expense	<u>12,062</u>	<u>18,474</u>
	435,946	443,450

(continued next page)

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

	<u>2017</u>	<u>2016</u>
Occupational Therapy:		
Salaries and wages	\$ 39,377	\$ 33,601
Employee benefits	14,081	9,463
Supplies and other expense	<u>1,471</u>	<u>2,890</u>
	54,929	45,954
Medical Records:		
Salaries and wages	149,686	150,306
Employee benefits	67,137	68,755
Supplies and other expense	<u>23,284</u>	<u>23,614</u>
	240,107	242,675
Social Services:		
Salaries and wages	44,980	34,768
Employee benefits	15,546	13,435
Supplies and other expense	<u>714</u>	<u>1,172</u>
	61,240	49,375
Outpatient Clinics:		
Salaries and wages	69,266	66,379
Employee benefits	29,366	30,009
Professional fees	106,164	86,344
Supplies and other expense	<u>21,526</u>	<u>11,045</u>
	226,322	193,777
Fitness Center:		
Salaries and wages	42,952	44,357
Employee benefits	12,158	12,936
Supplies and other expense	<u>9,050</u>	<u>15,251</u>
	64,160	72,544
Diabetic Education:		
Salaries and wages	10,184	15,254
Employee benefits	2,003	2,533
Supplies and other expense	<u>962</u>	<u>520</u>
	<u>13,149</u>	<u>18,307</u>
	<u>\$ 4,807,714</u>	<u>\$ 4,646,965</u>

SUMMARY

Salaries and wages	\$ 2,328,895	\$ 2,284,581
Employee benefits	678,123	672,433
Professional fees	377,048	335,629
Supplies and other expense	<u>1,423,648</u>	<u>1,354,322</u>
	<u>\$ 4,807,714</u>	<u>\$ 4,646,965</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Physician Services Expenses
Year ended June 30,

	2017	2016
Physician Service:		
Salaries and wages	\$ 1,224,856	\$ 1,101,444
Employee benefits	251,265	232,236
Supplies and other expense	139,366	135,007
	1,615,487	1,468,687
Nursing Service:		
Salaries and wages	177,971	188,752
Employee benefits	45,884	48,491
Medical supplies	54,841	58,410
Supplies and other expense	56,102	42,367
	334,798	338,020
Business Office:		
Salaries and wages	214,407	160,504
Employee benefits	99,562	79,879
Supplies and other expense	91,647	78,193
	405,616	318,576
Occupancy Costs:		
Rent	3,821	3,823
Utilities	27,282	27,326
	31,103	31,149
Surgery Services:		
Salaries and wages	30,050	29,832
Employee benefits	14,035	13,946
Professional fees	306,122	317,664
Supplies and other expense	37,272	35,099
	387,479	396,541
	\$ 2,774,483	\$ 2,552,973

SUMMARY

Salaries and wages	\$ 1,647,284	\$ 1,480,532
Employee benefits	410,746	374,552
Professional fees	306,122	317,664
Supplies and other expense	410,331	380,225
	\$ 2,774,483	\$ 2,552,973

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
General Service Expenses
Year ended June 30,

	2017	2016
Dietary:		
Salaries and wages	\$ 235,578	\$ 198,983
Employee benefits	121,573	117,921
Food	133,259	119,925
Supplies and other expense	35,091	23,529
	525,501	460,358
Operation of Plant:		
Salaries and wages	175,009	170,199
Employee benefits	52,989	52,646
Electricity	154,807	156,032
Natural gas	65,096	65,533
Supplies and other expense	108,505	134,409
	556,406	578,819
Housekeeping:		
Salaries and wages	132,057	133,428
Employee benefits	73,516	72,697
Supplies and other expense	13,908	13,680
	219,481	219,805
Laundry and Linen:		
Purchased services	16,225	16,854
Supplies and other expense	520	774
	16,745	17,628
	\$ 1,318,133	\$ 1,276,610

SUMMARY

Salaries and wages	\$ 542,644	\$ 502,610
Employee benefits	248,078	243,264
Supplies and other expense	527,411	530,736
	\$ 1,318,133	\$ 1,276,610

See Independent Auditor's Report.

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

	<u>2017</u>	<u>2016</u>
Fiscal and Administrative:		
Salaries and wages	\$ 463,422	\$ 333,935
Employee benefits	171,364	135,218
IPERS adjustment	(57,628)	(303,461)
Advertising	27,877	26,776
Telephone	29,292	27,527
Supplies and minor equipment	208,235	23,572
Collection expense	45,342	53,775
Computer maintenance	177,038	182,269
Education and meetings	53,782	21,931
Professional fees	430,676	473,466
Printing and postage	7,546	7,747
Purchased services	143,511	57,777
Recruiting	23,828	--
Dues and subscriptions	22,364	16,631
	<u>1,746,649</u>	<u>1,057,163</u>
Admissions Office:		
Salaries and wages	59,332	66,482
Employee benefits	34,060	38,496
Supplies and other expense	19,906	5,291
	<u>113,298</u>	<u>110,269</u>
Information Systems:		
Salaries and wages	205,867	161,873
Employee benefits	82,262	61,377
Supplies and other expense	116,952	90,910
	<u>405,081</u>	<u>314,160</u>
Employee Welfare:		
Salaries and wages	154,754	123,907
Employee benefits	42,897	34,379
Group health and life benefit	109,019	103,113
Workers' compensation insurance	57,710	59,432
Unemployment expense	6,032	--
Supplies and other expense	51,399	62,251
	<u>421,811</u>	<u>383,082</u>
Insurance:		
Liability and property insurance	<u>118,724</u>	<u>125,742</u>
	<u>\$ 2,805,563</u>	<u>\$ 1,990,416</u>

(continued next page)

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

	2017	2016
<u>SUMMARY</u>		
Salaries and wages	\$ 883,375	\$ 686,197
Employee benefits	445,716	128,554
Professional fees	430,676	473,466
Supplies and other expense	1,045,796	702,199
	\$ 2,805,563	\$ 1,990,416

<u>SUMMARY OF EXPENSES</u>		
Salaries and wages	\$ 7,110,069	\$ 6,585,373
Employee benefits	2,404,107	1,988,472
Professional fees	1,152,702	1,167,659
Supplies and other expense	4,305,001	3,961,682
	\$ 14,971,879	\$ 13,703,186

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GUTHRIE COUNTY HOSPITAL
Comparative Statistics
Year ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Acute Care:					
Admissions	371	358	327	283	336
Discharges	372	359	329	278	330
Patient days	1,313	1,097	1,086	862	1,092
Average length of stay	3.53	3.06	3.30	3.10	3.31
Average occupied beds	3.6	3.0	3.0	2.4	3.0
Swing Bed Program:					
Admissions	129	126	125	130	152
Discharges	128	129	123	132	150
Patient days	892	921	818	799	901
Combined Average Occupied Beds	6.0	5.5	5.2	4.6	5.5
Outpatient Occasions of Service	31,069	34,177	35,795	35,524	37,334

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Comparative Statements of Net Position
June 30,

	2017	2016
Current Assets:		
Cash	\$ 3,527,169	\$ 3,546,766
Patient receivables, net	1,741,863	1,723,785
Other receivables	32,436	22,264
Inventory	418,028	387,553
Prepaid expense	174,515	243,104
Other current assets	19,027	20,304
Estimated third-party payor settlements	--	--
Succeeding year property tax receivable	1,653,000	1,595,000
Internally designated assets	493,085	496,648
Total current assets	8,059,123	8,035,424
Other Assets:		
Capital assets, net	9,316,051	9,211,098
Notes receivable	13,571	27,143
Other	24,320	31,737
Total other assets	9,353,942	9,269,978
Deferred Outflows of Resources	1,639,262	736,458
Total assets and deferred outflows of resources	\$ 19,052,327	\$ 18,041,860
Current Liabilities:		
Current maturities of long-term debt	\$ 480,000	\$ 510,588
Accounts payable	624,282	535,276
Accrued expenses	576,339	776,593
Accrued interest	1,802	17
Estimated third-party payor settlements	1,395,000	959,000
Total current liabilities	3,077,423	2,781,474
Long-Term Liabilities:		
Long-term debt, net	1,080,000	1,560,000
Net pension liability	5,462,257	4,226,791
Total liabilities	6,542,257	8,568,265
Deferred Inflows of Resources	1,995,565	2,327,855
Net Position	7,437,082	7,145,740
Total liabilities, deferred inflows of resources, and net position	\$ 19,052,327	\$ 18,041,860

See Independent Auditor's Report.

2015	Not Restated	
	2014	2013
\$ 3,395,975	\$ 1,441,006	\$ 536,512
1,282,169	1,509,792	1,979,001
15,687	20,187	181,715
362,451	334,430	304,675
237,010	256,458	231,934
18,559	20,373	20,541
--	14,100	128,900
1,572,000	1,538,000	1,539,000
<u>242,822</u>	<u>242,447</u>	<u>244,241</u>
<u>7,126,673</u>	<u>5,376,793</u>	<u>5,166,519</u>
9,930,992	10,937,540	11,668,217
40,714	54,286	67,857
<u>39,153</u>	<u>46,570</u>	<u>53,987</u>
<u>10,010,859</u>	<u>11,038,396</u>	<u>11,790,061</u>
<u>458,436</u>	<u>--</u>	<u>--</u>
<u>\$ 17,595,968</u>	<u>\$ 16,415,189</u>	<u>\$ 16,956,580</u>
\$ 599,842	\$ 595,924	\$ 599,636
340,801	453,021	655,554
668,018	639,278	621,962
82	146	207
<u>1,302,000</u>	<u>--</u>	<u>--</u>
<u>2,910,743</u>	<u>1,688,369</u>	<u>1,877,359</u>
2,070,588	2,670,431	3,266,354
<u>3,608,795</u>	<u>--</u>	<u>--</u>
<u>8,590,126</u>	<u>4,358,800</u>	<u>5,143,713</u>
2,948,290	1,538,000	1,539,000
<u>6,057,552</u>	<u>10,518,389</u>	<u>10,273,867</u>
<u>\$ 17,595,968</u>	<u>\$ 16,415,189</u>	<u>\$ 16,956,580</u>

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

	<u>2017</u>	<u>2016</u>
Patient Service Revenue	\$ 17,593,707	\$ 17,428,013
Adjustments to Patient Service Revenue	<u>(2,936,940)</u>	<u>(3,361,087)</u>
Net Patient Service Revenue	14,656,767	14,066,926
Other Revenue	<u>206,751</u>	<u>202,209</u>
Total Revenue	14,863,518	14,269,135
Expenses	<u>16,184,924</u>	<u>14,933,198</u>
Operating Loss	(1,321,406)	(664,063)
Non-Operating Revenues, Net	<u>1,612,748</u>	<u>1,752,251</u>
Excess of Revenues Over Expenses (Expenses Over Revenues) Before Capital Grants and Contributions	291,342	1,088,188
Capital Grants and Contributions	<u>--</u>	<u>--</u>
Increase in Net Position	<u>\$ 291,342</u>	<u>\$ 1,088,188</u>

See Independent Auditor's Report.

<u>2015</u>	<u>Not Restated</u>	
	<u>2014</u>	<u>2013</u>
\$ 16,927,744	\$ 15,753,472	\$ 15,841,890
<u>(3,676,571)</u>	<u>(3,034,782)</u>	<u>(3,084,247)</u>
13,251,173	12,718,690	12,757,643
<u>192,479</u>	<u>219,760</u>	<u>188,059</u>
13,443,652	12,938,450	12,945,702
<u>14,566,794</u>	<u>14,687,243</u>	<u>14,763,174</u>
(1,123,142)	(1,748,793)	(1,817,472)
<u>1,499,204</u>	<u>1,469,474</u>	<u>1,449,571</u>
376,062	(279,319)	(367,901)
<u>6,570</u>	<u>523,841</u>	<u>548,941</u>
<u>\$ 382,632</u>	<u>\$ 244,522</u>	<u>\$ 181,040</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, in accordance with the 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, the financial statements of Guthrie County Hospital, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Guthrie County Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Guthrie County Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of Guthrie County Hospital's internal control.

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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 17-I-A.

To the Board of Trustees
Guthrie County Hospital

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2017 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.

Responses to Findings

Guthrie County Hospital's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Guthrie County Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Donald, Bill. Hyman + W. P.C.

Atlantic, Iowa
October 26, 2017

GUTHRIE COUNTY HOSPITAL
Schedule of Findings and Responses
Year ended June 30, 2017

PART I - INTERNAL CONTROL DEFICIENCIES

17-I-A Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Hospital's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The Hospital has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the Hospital's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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.

GUTHRIE COUNTY HOSPITAL

Schedule of Findings and Responses - Continued

Year ended June 30, 2017

PART II - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

17-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2017 exceeded amounts budgeted by approximately \$51,000. The excess was caused by higher than expected expenses resulting from additional services performed.

Recommendation: The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget. We recommend the Hospital periodically compare the budgeted expenditures to actual during the year, so an amended budget can be filed timely if it appears expenditures will exceed the amounts budgeted.

Response: We will periodically review the actual expenditures in the future and file an amended budget if necessary.

Conclusion: Response accepted.

17-II-B Questionable Expenditures: During the audit, we noted no expenditures for parties, banquets or other entertainment for employees or Board members.

17-II-C Travel Expense: No expenditures of Hospital money for travel expenses of spouses of Hospital officials or employees were noted.

17-II-D Business Transactions: No business transactions between the Hospital and Hospital officials or employees were noted.

17-II-E Board Minutes: No transactions requiring Board approval were noted which had not been approved.

17-II-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.

* * *