MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2017 AND 2016

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
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MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
BOARD OF TRUSTEES AND HOSPITAL OFFICIALS
JUNE 30, 2017

Board of Trustees	Address	Term Expires
David Langkamp, President	Oskaloosa, Iowa	2020
Amy McGriff, Vice-President	New Sharon, Iowa	2020
John Pothoven, Treasurer	Oskaloosa, Iowa	2020
Jim Hansen, Secretary	Oskaloosa, Iowa	2018
Mike Grim	Oskaloosa, Iowa	2020
Becky Siefering	Oskaloosa, Iowa	2018
Mary Sexton	Rose Hill, Iowa	2020

Interim Chief Executive Officer	
Christinia Jepsen	Oskaloosa, Iowa

Chief Financial Officer	
Jason Feucht	Oskaloosa, Iowa

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Mahaska County Hospital
DBA: Mahaska Health Partnership
Oskaloosa, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Mahaska County Hospital dba: Mahaska Health Partnership (the Hospital) and its discretely presented component unit, Mahaska Health Partnership Foundation (the Foundation), which comprise the statement of net position and balance sheet as of June 30, 2017, and the related statements of revenues, expenses, and changes in net position, activities and changes in net assets, and cash flows for the year then ended, and the 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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 auditors' 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.

Auditors' Responsibility (Continued)

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 Mahaska County Hospital dba: Mahaska Health Partnership and its discretely presented component unit as of June 30, 2017, and the respective changes in their financial position and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Financial Statements

The 2016 financial statements of Mahaska County Hospital dba: Mahaska Health Partnership were audited by other auditors, whose report dated November 17, 2016, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 10, the Budgetary Comparison Information, the Schedule of the Hospital's Proportionate Share of the Net Pension Liability, and the Schedule of Hospital Contributions (and the related notes) on pages 41 through 45 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 auditing standards generally accepted in the United States of America, 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Mahaska County Hospital dba: Mahaska Health Partnership as a whole. The 2017 supplementary information on pages 46 through 64 is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Supplementary Information (Continued)

The 2016, 2015, 2014, and 2013 supplementary information was subjected to the auditing procedures applied in the 2016 audit of the financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2016 financial statements as a whole.

The table of board of trustees and hospital officials, schedules of patient receivables and allowance for doubtful accounts, and comparative statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017 on our consideration of Mahaska County Hospital dba: Mahaska Health Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is 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 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 Mahaska County Hospital dba: Mahaska Health Partnership's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Des Moines, Iowa
November 29, 2017

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016

Introduction

Mahaska County Hospital dba: Mahaska Health Partnership (the Hospital) offers readers of our financial statements this narrative overview and analysis of the financial activities of the Hospital for the fiscal years ended June 30, 2017, 2016, and 2015. We encourage readers to consider the information presented here in conjunction with the Hospital's financial statements, including the notes thereto.

Please note that the Foundation's activities have been included as a discretely presented component unit of the Hospital.

Financial Highlights

The Hospital's total assets and deferred outflows of resources decreased approximately $1,435,000 during fiscal year 2017. Net position, or total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources, decreased by approximately $5,433,000 during fiscal 2017, a decrease of approximately 31.9%.

The Hospital reported operating losses in 2017 ($7,010,403) and 2016 ($3,290,284). Operating losses in 2017 increased by $3,720,119 from the loss reported in 2016. Operating losses in 2016 increased by $749,485 from the loss reported in 2015.

- Nonoperating revenues (expenses), net increased by $472,134 in 2017 compared to 2016.
- Nonoperating revenues (expenses), net decreased by $62,253 in 2016 compared to 2015.

Deficit of revenues over expenses increased by $3,247,985 in 2017 compared to 2016 and increased by $1,311,738 in 2016 compared to 2015.

Using this Annual Report

The Hospital's financial statements consist of three statements – a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position

Our analysis of the Hospital finances begins on page 7. 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 Change in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. 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 and changes in them. You can think of the Hospital's net position – the difference between assets, deferred outflows of resources, 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 health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

Statement of Cash Flows

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

The Hospital's Net Position

The Hospital's net position is the difference between its assets, deferred outflows of resources, liabilities, and deferred inflows of resources reported in the Statement of Net Position on pages 11 and 12. The Hospital's net position decreased by $5,433,488 in 2017 and decreased by $2,185,503 in 2016, as you can see from Table 1. The decreases are mostly the result of operating losses in the respective years. The Hospital's position has also been greatly impacted by the implementation of GASB No. 68, which requires recording a pension liability, deferred outflows of resources, deferred inflows of resources, and related pension expense. While the implementation of GASB 68, which occurred in fiscal year 2015, had a significant negative impact on net position of the Hospital, there was no impact on the Hospital's actual operations.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

	2017	2016	2015
Assets:			
Current Assets	$ 17,217,914	$ 19,571,558	$ 18,956,877
Capital Assets, Net	36,418,630	38,667,299	39,284,816
Other Noncurrent Assets	4,766,817	4,447,090	5,133,829
Deferred Outflows of Resources	8,672,006	5,824,152	6,282,941
Total Assets and Deferred Outflows of Resources	$ 67,075,367	$ 68,510,099	$ 69,658,463
Liabilities:			
Long-Term Debt Outstanding	$ 22,649,850	$ 23,180,346	$ 22,770,760
Current Liabilities	6,641,489	6,179,882	5,431,808
Net Pension Liability	23,549,426	18,289,756	14,649,988
Total Liabilities	$ 52,840,765	$ 47,649,984	$ 42,852,556
Deferred Inflows of Resources	$ 2,620,628	$ 3,812,653	$ 7,572,942
Net Position:			
Invested in Capital Assets, Net of Related Debt	$ 12,551,578	$ 14,571,339	$ 16,242,350
Restricted Expendable Assets	1,000,000	1,000,000	1,000,000
Restricted Nonexpendable Permanent Endowments	6,000	6,000	6,000
Unrestricted	(1,943,604)	1,470,123	1,984,615
Total Net Position	$ 11,613,974	$ 17,047,462	$ 19,232,965

Operating Results and Changes in the Hospital's Net Position

Net patient revenues decreased by $2,592,367 or 5.23% in 2017 and increased by $1,136,567 or 2.35% in 2016. Total operating expenses increased by $1,423,911 or 2.61% in 2017 and by $1,582,694 or 2.99% in 2016.

Table 2: Operating Results and Changes in Net Position

	2017	2016	2015
Operating Revenues:			
Net Patient Service Revenues	$ 46,970,100	$ 49,562,467	$ 48,425,900
Other Operating Revenues	1,898,773	1,602,614	1,905,972
Total Operating Revenues	48,868,873	51,165,081	50,331,872
Operating Expenses:			
Salaries and Benefits	36,644,897	36,342,792	34,453,779
Professional Fees	1,229,258	1,222,267	1,264,236
Other Operating Expenses	13,955,061	13,186,603	13,663,843
Depreciation and Amortization	4,050,060	3,703,703	3,490,813
Total Operating Expenses	55,879,276	54,455,365	52,872,671
Operating Loss	(7,010,403)	(3,290,284)	(2,540,799)
Nonoperating Revenues and Expenses:			
Property Taxes	2,388,657	1,945,821	1,930,390
Investment Income	9,252	9,250	9,930
Noncapital Grants and Contributions	20,791	6,452	6,727
Other Nonoperating Revenues and Expenses, Net	(841,785)	(856,742)	(780,013)
Nonoperating Revenues, Net	1,576,915	1,104,781	1,167,034
Deficit of Revenues Over Expenses Before Capital Contributions	(5,433,488)	(2,185,503)	(1,373,765)
Capital Contributions	-	-	500,000
Deficit of Revenues Over Expenses and Decrease in Net Position	(5,433,488)	(2,185,503)	(873,765)
Net Position - Beginning of Year	17,047,462	19,232,965	20,106,730
Net Position - End of Year	$ 11,613,974	$ 17,047,462	$ 19,232,965

Budgetary Highlights

The official county budget of the Hospital for the year ended June 30, 2017 was prepared on a modified accrual basis. The original budget of expenditures was approved at the meeting on February 29, 2016. Actual expenditures were lower than budget.

Operating Losses

The first component of the overall change in the Hospital's net position is its operating income (loss) – generally, the difference between net patient service revenue and the expenses incurred to perform those services. In each of the past two years, the Hospital has reported an operating loss. Losses in 2017 increased by $3,720,119 compared to the loss reported in 2016.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of property taxes levied by the Hospital, investment earnings, and noncapital contributions. Nonoperating expenses consist of primarily interest expense. Net nonoperating revenues increased by $472,134 compared to 2016.

Grants, Contributions, and Endowments

The Hospital receives both capital and operating grants from various state and federal agencies for specific programs. These are discussed in Note 1 of the financial statements. The Foundation received $96,419 in 2017 in contributions to be used for the Hospital's capital projects and hospice house funding.

The Hospital's Cash Flows

The Hospital's statement of cash flows is an analytical tool useful in determining the short-term viability of the organization. The statement includes only cash inflows and outflows of cash and cash equivalents; it excludes transactions that do not directly affect cash receipts and payments (i.e., depreciation, bad debt write-offs). Total cash and cash equivalents at June 30, 2017 was $7,077,399 compared to $8,299,348 at June 30, 2016.

Capital Asset and Debt Administration

Capital Assets:

At the end of 2017, the Hospital had approximately $36.4 million invested in capital assets, net of accumulated depreciation, as detailed in Note 7 to the financial statements. The total cost of the buildings, land improvements, and equipment placed in service during the year was approximately $764,000.

Debt:

The Hospital entered into four new capital lease obligations to finance the purchase of equipment in the amount of $890,968. At year-end, the Hospital had approximately $22.2 million in bonds payable outstanding and $1.7 million in capital leases outstanding. A detail of long-term debt is provided in Note 8 to the financial statements.

Other Economic Factors

The Hospital is dependent upon payments from Medicare, Medicaid and other third-party payors. Each of these payors has continued to put pressure on reimbursement levels paid to the hospital. Medicare represents approximately 39% of hospital revenues and presently reimburses the hospital approximately 45% of billed charges.

Effective April 1, 2016, the Iowa Department of Human Services revised its method of paying for services provided to Medicaid patients. This brought an end to most Medicaid cost based reimbursement.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital Chief Executive Officer, at Mahaska Health Partnership, Oskaloosa, Iowa 52577.

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash	$ 2,441,628	$ 3,678,265
Patient Receivables, Less Allowance for Doubtful Accounts and for Contractual Adjustments (Approximately $4,283,000 in 2017; $1,520,000 in 2016)	9,437,042	10,617,584
Other Receivables	245,158	199,308
Inventory	1,316,052	1,288,417
Prepaid Expenses	358,794	344,370
Succeeding Year Property Tax Receivable	2,328,000	2,248,000
Estimated Third-Party Payor Settlements	377,000	-
Internally Designated Assets	714,240	1,195,614
Total Current Assets	17,217,914	19,571,558
DESIGNATED AND RESTRICTED ASSETS		
Internally Designated Assets	3,635,771	3,621,083
Restricted Assets	1,006,000	1,006,000
Subtotal	4,641,771	4,627,083
Less: Amounts Required to Meet Current Liabilities	714,240	1,195,614
Total Designated and Restricted Assets	3,927,531	3,431,469
CAPITAL ASSETS		
Depreciable Capital Assets	35,419,238	37,285,831
Nondepreciable Capital Assets	999,392	1,381,468
Total Capital Assets	36,418,630	38,667,299
OTHER ASSETS		
Notes Receivable	599,271	659,096
Other	240,015	356,525
Total Other Assets	839,286	1,015,621
Total Assets	58,403,361	62,685,947
DEFERRED OUTFLOWS OF RESOURCES - PENSION RELATED	8,672,006	5,824,152
Total Assets and Deferred Outflows of Resources	$ 67,075,367	$ 68,510,099

See accompanying Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2017	2016
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 631,621	$ 600,330
Current Maturities of Capital Leases	585,581	306,077
Accounts Payable	1,870,409	970,109
Accrued Employee Compensation	2,210,487	3,053,523
Accrued Payroll Taxes and Withholding	1,095,223	734,670
Accrued Health Insurance Claims	224,263	280,000
Accrued Interest Payable	23,905	25,173
Estimated Third-Party Payor Settlements	-	210,000
Total Current Liabilities	6,641,489	6,179,882
LONG-TERM LIABILITIES		
Revenue Bonds and Notes Payable, Less Current Maturities	21,528,048	22,166,128
Capital Leases, Less Current Maturities	1,121,802	1,014,218
Net Pension Liability	23,549,426	18,289,756
Total Long-Term Liabilities	46,199,276	41,470,102
Total Liabilities	52,840,765	47,649,984
DEFERRED INFLOWS OF RESOURCES	2,620,628	3,812,653
NET POSITION		
Invested in Capital Assets, Net of Related Debt	12,551,578	14,571,339
Restricted	1,006,000	1,006,000
Unrestricted	(1,943,604)	1,470,123
Total Net Position	11,613,974	17,047,462
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 67,075,367	$ 68,510,099

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
REVENUE		
Net Patient Service Revenue	$ 46,970,100	$ 49,562,467
Other Revenue	1,898,773	1,602,614
Total Revenue	48,868,873	51,165,081
EXPENSES		
Nursing Service	11,249,692	11,236,602
Other Professional Service	27,476,147	27,149,832
General Service	2,732,825	2,998,777
Fiscal and Administrative Service	10,370,552	9,366,451
Depreciation	3,903,238	3,556,880
Amortization	146,822	146,823
Total Expenses	55,879,276	54,455,365
OPERATING LOSS	(7,010,403)	(3,290,284)
NONOPERATING REVENUE (EXPENSES)		
County Taxes	2,388,657	1,945,821
County Subsidy - New Directions	212,012	172,427
Investment Income	9,252	9,250
Noncapital Contributions	20,791	6,452
Interest Expense	(1,053,797)	(1,029,169)
Nonoperating Revenues (Expenses), Net	1,576,915	1,104,781
DEFICIT OF REVENUES OVER EXPENSES AND DECREASE IN NET POSITION	(5,433,488)	(2,185,503)
Net Position - Beginning of Year	17,047,462	19,232,965
NET POSITION - END OF YEAR	$ 11,613,974	$ 17,047,462

See accompanying Notes to Financial Statements.

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Patients and Third-Party Payors	$ 47,563,642	$ 51,328,003
Cash Paid to Suppliers	(14,326,078)	(21,158,381)
Cash Paid to Employees	(36,043,326)	(29,157,891)
Other Receipts and Payments	1,852,923	1,602,614
Net Cash Provided (Used) by Operating Activities	(952,839)	2,614,345
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County Tax Revenue and Subsidy	2,600,669	2,118,248
Noncapital Grants and Contributions	20,791	6,452
Net Cash Provided by Noncapital Financing Activities	2,621,460	2,124,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures	(763,601)	(1,427,205)
Change in Other Assets	(30,312)	(26,037)
Interest Paid	(1,055,065)	(1,029,169)
Principal Paid on Long-Term Debt	(606,789)	(248,542)
Principal Paid on Capital Leases	(503,880)	(210,122)
Net Cash Used by Capital and Related Financing Activities	(2,959,647)	(2,941,075)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	9,252	9,250
Loans Granted for Physician Recruitment, Net of Amortization	59,825	(242,747)
Net Cash Provided (Used) by Investing Activities	69,077	(233,497)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,221,949)	1,564,473
Cash and Cash Equivalents - Beginning of Year	8,299,348	6,734,875
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,077,399	$ 8,299,348
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash in Current Assets	$ 2,441,628	$ 3,678,265
Cash and Cash Equivalents in Designated and Restricted Assets	4,635,771	4,621,083
Total Cash and Cash Equivalents	$ 7,077,399	$ 8,299,348

See accompanying Notes to Financial Statements.

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$ (7,010,403)	$ (3,290,284)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Provision for Bad Debts	2,746,945	-
Provision for Depreciation	3,903,238	3,556,880
Amortization	146,822	327,323
Changes in Assets and Liabilities:		
Accounts Receivable	(1,612,253)	2,378,536
Inventory	(27,635)	(185,281)
Prepaid Expense and Other Assets	(14,424)	(175,263)
Deferred Outflows of Resources	(2,847,854)	458,789
Accounts Payable - Trade	900,300	437,760
Accrued Employee Compensation	(843,036)	284,771
Accrued Payroll Taxes and Withholding	304,816	(5,365)
Estimated Third-Party Payor Settlements	(587,000)	(613,000)
Net Pension Liability	5,259,670	3,639,768
Deferred Inflows of Resources - Pension	(1,272,025)	(4,200,289)
Net Cash Provided (Used) by Operating Activities	$ (952,839)	$ 2,614,345

The Hospital also incurred the following noncash transactions in addition to the transactions reflected in the reconciliation of operating loss to net cash provided by operating expenses:

	2017	2016
Purchase of Equipment through Capital Leases	$ 890,968	$ 1,530,417

See accompanying Notes to Financial Statements.

MAHASKA HEALTH PARTNERSHIP FOUNDATION
BALANCE SHEETS
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
ASSETS		
Cash	$ 744,006	$ 648,758
Equity Securities	681,710	583,201
Total Assets	$ 1,425,716	$ 1,231,959
LIABILITIES AND NET ASSETS		
NET ASSETS		
Restricted	$ 1,425,716	$ 1,231,959
Total Liabilities and Net Assets	$ 1,425,716	$ 1,231,959

See accompanying Notes to Financial Statements.

MAHASKA HEALTH PARTNERSHIP FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
REVENUES AND OTHER SUPPORT		
Restricted Contributions	$ 96,419	$ 102,295
Investment Income	3	29,348
Total Revenue and Other Support	96,422	131,643
EXPENSES		
Transfers to Mahaska Health Partnership	1,558	7,339
OPERATING INCOME	94,864	124,304
Change in Unrealized Gains and Losses on Investments, Other than Trading Securities	98,893	(44,861)
CHANGE IN NET ASSETS	193,757	79,443
Net Assets - Beginning of Year	1,231,959	1,152,516
NET ASSETS - END OF YEAR	$ 1,425,716	$ 1,231,959

See accompanying Notes to Financial Statements.

MAHASKA HEALTH PARTNERSHIP FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received through Contributions	$ 96,419	$ 101,157
Cash Paid to Suppliers and Hospital	(1,558)	(7,339)
Net Cash Provided by Operating Activities	94,861	93,818
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equity Securities	384	(29,278)
Investment Income	3	29,348
Net Cash Provided by Investing Activities	387	70
INCREASE IN CASH AND CASH EQUIVALENTS	95,248	93,888
Cash and Cash Equivalents - Beginning of Year	648,758	554,870
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 744,006	$ 648,758
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 94,864	$ 124,304
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Contributions Received in Securities	-	(1,138)
Investment Income	(3)	(29,348)
Net Cash Provided by Operating Activities	$ 94,861	$ 93,818

See accompanying Notes to Financial Statements.

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The organization includes a hospital foundation and is a critical access county hospital with related healthcare ancillary, outpatient, physicians clinics, and psychiatric 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 Mahaska Health Partnership Foundation (Foundation) has been identified as a legally separate component unit of the Hospital, and accordingly, the financial statements of the Foundation have been included as a discretely presented component unit on pages 16 through 18. The Foundation is a not-for-profit corporation exempt from income tax under Section 501 of the Internal Revenue Code. It was established to provide financial support to the Hospital. The Foundation's Forms 990, Return of Organization Exempt from Income Tax, for the years ended December 31, 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Basis of Presentation

The statement of net position displays the Hospital's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in a balance sheet format. Net position is reported in three categories:

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:

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.

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.

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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.

Measurement Focus and Basis of Accounting

Basis of accounting 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 Hospital's financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles as prescribed by GASB. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

The Foundation's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board (FASB). The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

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.

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.

Accounts Receivable

Accounts receivable are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

Inventory

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

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nonoperating revenue when earned, unless restricted by donor or law.

Designated and Restricted Assets

Internally designated assets consist primarily of funds designated by the board of trustees (Board) for operations and employee health insurance. 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 or contractual agreements.

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 three 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 five to twenty years for equipment).

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.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future year(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 Hospital after the measurement date but before the end of the Hospital's reporting period.

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Hospital employees earn paid time off hours at varying rates depending on years of service. Paid time off consists of holiday, vacation, and sick time and accumulates to a maximum of 420 hours. Any excess over 420 hours accumulated by the employee's anniversary date is lost. The computed amount of paid time off benefits earned by year-end is recorded as part of accrued employee compensation.

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.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future year(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 differences between expected and actual IPERS experience.

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 nonoperating revenues and peripheral or incidental transactions are reported as nonoperating revenues and expenses.

Net Patient Service Revenue

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

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax Receivable

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. By statute, the Board of Trustees is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

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 nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Endowments

Endowments are provided to the Hospital on a voluntary basis by individuals and private organizations. *Permanent* endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, law permits the Board to authorize for expenditure the net appreciation of the investments of endowment funds, as discussed in Note 3.

Restricted Resources

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

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 2 THIRD-PARTY PAYOR ARRANGEMENTS

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

Medicare – Inpatient services and most outpatient services related to program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediaries.

Medicaid – Through March of 2016 the Medicaid payment system was similar to Medicare. In April, 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, 2014. 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.

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

	2017	2016
Gross Patient Service Revenue:		
Inpatient and Swing Bed Services	$ 22,064,637	$ 24,677,333
Outpatient	71,915,987	68,415,446
Total Gross Patient Service Revenue	93,980,624	93,092,779
Deductions from Gross Patient Service Revenue:		
Medicare	20,741,012	15,284,719
Medicaid	9,164,901	3,835,840
Provision for Bad Debts	2,746,945	1,185,786
Charity Care	72,945	173,598
Other Deductions	14,284,721	23,050,369
Total Deductions from Gross Patient Service Revenue	47,010,524	43,530,312
Net Patient Service Revenue	$ 46,970,100	$ 49,562,467

NOTE 3 ENDOWMENTS AND RESTRICTED NET POSITION

Restricted expendable assets are available for the following purposes:

	2017	2016
Hospital:		
Long-Term Debt	$ 1,000,000	$ 1,000,000
Foundation:		
Capital Acquisitions	$ 1,425,716	$ 1,231,959

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

	2017	2016
Foundation:		
Purchase of Capital Assets and Administrative Expenses	$ 1,558	$ 7,339

Unless the contributor provides specific instructions, law permits the Hospital Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments in its endowments. When administering its power to spend net appreciation, the Board is required to consider the Hospital's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes designated by the contributor.

The Board has chosen to spend the investment income and appreciation on the endowment fund while maintaining adequate amounts of earnings to maintain the principal original value. Any decreases in principal value will be replaced by retaining income in future years to return the principal to its original value.

Restricted nonexpendable assets as of June 30, 2017 and 2016 represent the principal amounts of permanent endowments, restricted to investment in perpetuity. Investment earnings from the Hospital's permanent endowments are expendable to support these programs as established by the contributor:

	2017	2016
Hospital:		
Purchase of Capital Assets	$ 6,000	$ 6,000

NOTE 4 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.

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 Foundation has no limitation to its type of investments.

Designated assets remain under the control of the Board, which may, at its discretion, later use the funds for other purposes. Below is a list of the designated assets and their prescribed purpose.

	2017	2016
Hospital:		
Operations	$ 2,921,531	$ 2,906,843
Employee Health Insurance	714,240	714,240
Total	$ 3,635,771	$ 3,621,083

The composition of designated and restricted assets is as follows:

	2017	2016
Internally Designated Assets:		
Cash and Cash Equivalents	$ 3,635,771	$ 3,621,083

Restricted assets:

	2017	2016
Hospital:		
Cash and Cash Equivalents	$ 1,000,000	$ 1,000,000
U.S. Treasury Obligations	6,000	6,000
Total	$ 1,006,000	$ 1,006,000
Foundation:		
Cash and Cash Equivalents	$ 744,006	$ 648,758
Equity Securities	681,710	583,201
Total	$ 1,425,716	$ 1,231,959

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) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

NOTE 5 FAIR VALUE MEASUREMENTS

The Hospital and Foundation use the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Level 1 Fair Value Measurements

The fair value of equity securities is based on quoted net asset values of the shares held by the Hospital and Foundation at year-end.

The following tables set forth, by level within the fair value hierarchy, the Hospital's investments at fair value as of June 30, 2017 and 2016:

June 30, 2017	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Hospital:		
U.S. Treasury Obligations	$ 6,000	$ 6,000
Foundation:		
Equity Securities	$ 681,710	$ 681,710
June 30, 2016		
Hospital:		
U.S. Treasury Obligations	$ 6,000	$ 6,000
Foundation:		
Equity Securities	$ 583,201	$ 583,201

The Hospital had no other investments meeting the disclosure requirements of GASB No. 72.

NOTE 6 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 was as follows:

	2017	2016
Receivable from:		
Patients	$ 5,998,387	$ 4,151,240
Medicare	6,051,983	4,482,196
MCO and Medicaid	3,039,690	1,977,092
Wellmark	3,791,138	2,639,856
Commercial and Other	1,535,910	2,621,200
Subtotal	20,417,108	15,871,584
Less: Allowance for Doubtful Accounts and Contractual Adjustments	10,980,066	5,254,000
Total	$ 9,437,042	$ 10,617,584

NOTE 7 CAPITAL ASSETS

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

	Balance 2016	Additions	Disposals	Balance 2017
Cost:				
Land Improvements	$ 3,096,463	$ 313,238	$ -	$ 3,409,701
Buildings	41,634,014	620,328	-	42,254,342
Major Movable Equipment	28,210,411	1,103,079	-	29,313,490
Total Cost	72,940,888	2,036,645	-	74,977,533
Depreciation:				
Land Improvements	1,325,137	181,153	-	1,506,290
Buildings	19,134,849	1,509,092	-	20,643,941
Major Movable Equipment	15,195,071	2,212,993	-	17,408,064
Total Depreciation	35,655,057	3,903,238	-	39,558,295
Depreciable Capital Assets, Net	$ 37,285,831	$ (1,866,593)	$ -	$ 35,419,238
Construction in Progress	$ 423,555	$ 587,047	$ 969,123	$ 41,479
Land	957,913	-	-	957,913
Total Nondepreciable Capital Assets	$ 1,381,468	$ 587,047	$ 969,123	$ 999,392

NOTE 7 CAPITAL ASSETS (CONTINUED)

	Balance 2015	Additions	Disposals	Balance 2016
Cost:				
Land Improvements	$ 2,876,565	$ 219,898	$ -	$ 3,096,463
Buildings	41,584,848	49,166	-	41,634,014
Major Movable Equipment	24,999,646	3,210,765	-	28,210,411
Total Cost	69,461,059	3,479,829	-	72,940,888
Depreciation:				
Land Improvements	1,156,129	169,008	-	1,325,137
Buildings	17,641,292	1,493,557	-	19,134,849
Major Movable Equipment	13,300,756	1,894,315	-	15,195,071
Total Depreciation	32,098,177	3,556,880	-	35,655,057
Depreciable Capital Assets, Net	$ 37,362,882	$ (77,051)	$ -	$ 37,285,831
Construction in Progress	$ 1,363,198	$ 601,939	$ 1,541,582	$ 423,555
Land	558,736	399,177	-	957,913
Total Nondepreciable Capital Assets	$ 1,921,934	$ 1,001,116	$ 1,541,582	$ 1,381,468

NOTE 8 LONG-TERM LIABILITIES

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

	Balance 2016	Additions	Reductions	Balance 2017	Current Portion
Long-Term Debt:					
Bonds Payable, USDA Rural Development	$ 22,766,458	$ -	$ 606,789	$ 22,159,669	$ 631,621
Capital Leases:					
Intuitive Surgical	1,260,816	-	276,601	984,215	285,014
EMC Global	59,479	-	29,476	30,003	30,003
Stryker	-	172,825	2,719	170,106	33,040
Siemens	-	718,143	195,084	523,059	237,524
Capital Leases	1,320,295	890,968	503,880	1,707,383	585,581
Net Pension Liability	18,289,756	5,259,670	-	23,549,426	-
Total Long-Term Liabilities	$ 42,376,509	$ 6,150,638	$ 1,110,669	$ 47,416,478	$ 1,217,202

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

	Balance 2015	Additions	Reductions	Balance 2016	Current Portion
Long-Term Debt:					
Bonds Payable, USDA Rural Development	$ 23,015,000	$ -	$ 248,542	$ 22,766,458	$ 600,330
Capital Leases:					
Intuitive Surgical	-	1,440,666	179,850	1,260,816	276,601
EMC Global	-	89,751	30,272	59,479	29,476
Capital Leases	-	1,530,417	210,122	1,320,295	306,077
Net Pension Liability	14,649,988	3,639,768	-	18,289,756	-
Total Long-Term Liabilities	$ 37,664,988	$ 5,170,185	$ 458,664	$ 42,376,509	$ 906,407

Bonds Payable, USDA Rural Development

The bonds are in the name of the Mahaska Health Partnership through United States Department of Agriculture, Rural Development for the construction and renovation of the Hospital. Under terms of the bonds, interest only payments of $83,909 were due monthly with an interest rate of 4.375% through January 2016. Beginning February 2016 principal and interest payments of $132,402 are due monthly. The bonds mature January 21, 2039. The Hospital has pledged all of its future revenues (net of certain expenses) to repay the bonds.

Scheduled principal and interest repayments on the bonds payable are as follows:

	Bonds Payable		
Year Ending June 30,	Principal	Interest	Total
2018	$ 631,621	$ 957,203	$ 1,588,824
2019	659,814	929,010	1,588,824
2020	689,269	899,555	1,588,824
2021	720,037	868,787	1,588,824
2022	752,177	836,647	1,588,824
2023 - 2027	4,295,519	3,648,601	7,944,120
2028 - 2032	5,343,732	2,600,388	7,944,120
2033 - 2037	6,647,738	1,296,382	7,944,120
2038 - 2039	2,419,762	89,422	2,509,184
Total	$ 22,159,669	$ 12,125,995	$ 34,285,664

NOTE 9 CAPITAL LEASES

The Hospital entered into a capital lease agreement with Intuitive Surgical Inc. on September 30, 2015 for surgical robotics equipment. The agreement calls for monthly payments of $25,887 for a period of 60 months with an approximate interest rate of 3.0%.

The Hospital entered into a capital lease agreement with EMC Global Financing on October 1, 2015 for IT server and storage equipment. The agreement requires annual payments of $30,540 made on the 1st of December for three years including interest at 1.79%.

The Hospital entered into a capital lease agreement with Stryker Flex Financial on April 20, 2017 for medical equipment. The agreement calls for monthly payments of $3,054 for a period of 60 months with an approximate interest rate of 2.3%.

The Hospital entered into three capital lease agreements with Siemens Financial Services, Inc. during fiscal year 2017. The agreements call for monthly payments of $314,660 for a period of three years with interest rates ranging from 4.76 to 5.04%.

The equipment financed through capital lease agreements has a total cost of $2,421,385 and $1,530,417 for June 30, 2017 and 2016, respectively. Accumulated depreciation on this equipment totals $501,035, and $171,809 as of June 30, 2017 and 2016, respectively.

The following is a schedule by year of future minimum lease payments and present value of net minimum lease payments:

Year Ending June 30,	Present Value of Net Minimum Lease Payments	Amount Representing Interest	Total Minimum Lease Payments
2018	$ 585,581	$ 50,121	$ 635,702
2019	576,906	28,256	605,162
2020	373,357	10,372	383,729
2021	138,331	1,866	140,197
2022	33,208	388	33,596
Total	$ 1,707,383	$ 91,003	$ 1,798,386

NOTE 10 DEFERRED INFLOWS OF RESOURCES

The deferred inflows of resources include succeeding year property tax and pension plan earnings. The succeeding property tax represents taxes certified by the County Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. Pension related deferred inflows of resources represent the unamortized differences between expected and actual experience for the pension plan:

	2017	2016
Succeeding Year Property Tax	$ 2,328,000	$ 2,248,000
Pension Related Deferred Inflows of Resources	292,628	1,564,653
Total	$ 2,620,628	$ 3,812,653

NOTE 11 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 by general informational purposes only. Refer to the plan documents for more information.

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 for 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.

NOTE 11 PENSION PLAN (CONTINUED)

Pension Benefits (Continued)

Protection occupation members may retire at normal retirement age, which is generally at age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.

- The member's highest three-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 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.

NOTE 11 PENSION PLAN (CONTINUED)

Contributions (Continued)

In fiscal years 2017 and 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the Hospital contributed 8.93% of covered payroll for a total rate of 14.88%. Protective occupation members contributed 6.56% of covered payroll and the Hospital contributed 9.84% of covered payroll, for a total rate of 16.40%.

The Hospital's contributions to IPERS for the years ended June 30, 2017 and 2016 were $2,521,197 and $2,438,888, respectively.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017 and 2016, the Hospital reported a liability of $23,549,426 and $18,289,756, respectively, for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2017 and 2016, respectively, 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 the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2017, the Hospital's proportion was 0.377046%, which was an increase of .006844% from its proportion measured as of June 30, 2016. At June 30, 2016, the Hospital's proportion was 0.370202%, which was an increase of .000804% from its proportion measured as of June 30, 2015.

For the years ended June 30, 2017 and 2016, the Hospital recognized pension expense of $1,139,791 and $2,364,251, respectively. At June 30, 2017, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 207,814	$ 292,628
Changes of Assumptions	358,587	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,433,986	-
Changes in Proportion and Differences Between Hospital Contributions and Proportionate Share of Contributions	2,150,422	-
Hospital Contributions Subsequent to the Measurement Date	2,521,197	-
Total	$ 8,672,006	$ 292,628

NOTE 11 PENSION PLAN (CONTINUED)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The $2,521,197, 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, 2017. Other amounts, reported as deferred outflows of resources and deferred inflows of resources, will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	$ 1,314,770
2019	1,314,770
2020	2,131,650
2021	1,094,080
2022	2,911
Total	$ 5,858,181

At June 30, 2016, the Hospital reported deferred outflows of resources and deferred inflows of resources related to its participation in the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 265,727	$ -
Changes of Assumptions	505,352	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,564,653
Changes in Proportion and Differences Between Hospital Contributions and Proportionate Share of Contributions	2,614,185	-
Hospital Contributions Subsequent to the Measurement Date	2,438,888	-
Total	$ 5,824,152	$ 1,564,653

There were no nonemployer contribution entities at IPERS.

NOTE 11 PENSION PLAN (CONTINUED)

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:

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.

NOTE 11 PENSION PLAN (CONTINUED)

Actuarial Assumptions (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 IPERS 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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	100 %	

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.

NOTE 11 PENSION PLAN (CONTINUED)

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.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Hospital's Proportionate Share of the Net Pension Liability	$ 38,391,997	$ 23,549,426	$ 11,022,242

IPERS Fiduciary Net Position

Detailed information about 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 the Pension Plan

At June 30, 2017, the Hospital reported payables to IPERS of $441,007 for legally required employer contributions and $180,527 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 12 DEFERRED COMPENSATION PLAN

The Hospital sponsors a deferred compensation plan which is administered by an independent contractor under Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The Hospital's personnel department is responsible for the accounting, reconciliations and record keeping associated with employees' enrollment, payments to the plan through payroll deductions and timely transfer of withheld funds to the trustee designated by the participant for investment. The plan is designed so that each participant retains investment control of his/her individual account. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 12 DEFERRED COMPENSATION PLAN (CONTINUED)

The Hospital's fiduciary responsibility is limited to due care in selecting the plan administrator. The administrator is responsible for withholdings and W-2s when the participants receive payments. The administrator is also required to submit an annual report to the Hospital. The Hospital is liable to a participant only for income lost because of its failure to send payment of a deferred amount as directed by the participant.

The market value of the exclusive benefit plan assets at June 30, 2017 and 2016 was $2,346,792 and $2,290,554, respectively. This amount is not included in the financial statements since the Hospital does not own or hold in a trustee capacity the amounts deferred by employees and related income on those amounts.

NOTE 13 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 self-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 approximately 315 active employees and 10 retirees currently covered by the 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 14 COMMITMENTS AND CONTINGENCIES

Notes Receivable

The notes receivable represent funds advanced under agreements with physicians who have begun to practice in the community. The agreements include commitments by the physicians 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 terms of the commitments.

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Hospital assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Malpractice Insurance

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.

Self-Funded Health Insurance

The Hospital has established a self-insured employee health insurance program. Under the self-insured plan, the Hospital pays claims up to maximum limits and carries stop loss insurance for claims in excess of the limits. At June 30, 2017 and 2016, the Hospital has accumulated funds in excess of actual claims paid of $714,240. These funds, shown under internally designated assets are to be used to pay claims as they are filed in the future. The estimated amount of incurred but not reported claims outstanding as June 30, 2017 and 2016 is approximately $224,000 and $280,000, respectively, which is reported under current liabilities.

NOTE 15 DEFICIT BALANCE

The Hospital had a deficit unrestricted net position balance of $1,943,604 at June 30, 2017, primarily due to the net pension liability.

NOTE 16 PROSPECTIVE ACCOUNTING CHANGE

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statements of Net Position are expected to include a liability for the Hospital's other postemployment benefits.

REQUIRED SUPPLEMENTARY INFORMATION

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION BUDGET AND ACTUAL (CASH BASIS) (UNAUDITED)
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Original Budget	Final to Actual Cash Basis Variance
Estimated Amount to be Raised by Taxation	$ 2,388,657	$ -	$ 2,388,657	$ 2,247,808	$ 140,849
Estimated Other Revenues/Receipts	49,110,928	547,692	49,658,620	59,348,528	(9,689,908)
Total	51,499,585	547,692	52,047,277	61,596,336	(9,549,059)
Expenses/Disbursements	56,933,073	(3,663,847)	53,269,226	60,418,973	(7,149,747)
Net	(5,433,488)	4,211,539	(1,221,949)	1,177,363	(2,399,312)
Balance - Beginning of Year	17,047,462	(8,748,114)	8,299,348	21,925,070	(13,625,722)
Balance - End of Year	$11,613,974	$ (4,536,575)	$ 7,077,399	$23,102,433	$(16,025,034)

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from the Hospital preparing a budget on the cash basis of accounting.

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Hospital on the cash basis following required public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The board of trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures. The budget was not amended during the year ended June 30, 2017.

For the year ended June 30, 2017, the Hospital's expenditures did not exceed the amount budgeted.

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
SCHEDULE OF THE HOSPITAL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (UNAUDITED)
YEARS ENDED JUNE 30, 2017, 2016, AND 2015
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016	2015
Hospital's Proportion of the Net Pension Liability	0.377046 %	0.370202 %	0.369398 %
Hospital's Proportionate Share of the Net Pension Liability	$ 23,549,000	$ 18,290,000	$ 14,650,000
Hospital's Covered-Employee Payroll	$ 27,191,000	$ 25,933,000	$ 25,056,000
Hospital's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	86.61 %	70.53 %	58.47 %
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.

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
SCHEDULE OF HOSPITAL'S CONTRIBUTIONS (UNAUDITED)
YEARS ENDED JUNE 30, 2017 THROUGH 2008
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016	2015	2014
Statutorily Required Contribution	$ 2,521,000	$ 2,439,000	$ 2,316,000	$ 2,238,000
Contributions in Relation to the Statutorily Required Contribution	(2,521,000)	(2,439,000)	(2,316,000)	(2,238,000)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Hospital's Covered-Employee Payroll	$ 29,128,000	$ 27,191,000	$ 25,933,000	$ 25,056,000
Contributions as a Percentage of Covered-Employee Payroll	8.65 %	8.97 %	8.93 %	8.93 %

NOTE - Amounts reported are rounded.

2013	2012	2011	2010	2009	2008
$ 1,722,000	$ 1,460,000	$ 1,143,000	$ 1,069,000	$ 950,000	$ 837,000
(1,722,000)	(1,460,000)	(1,143,000)	(1,069,000)	(950,000)	(837,000)
$ -	$ -	$ -	$ -	$ -	$ -
$ 19,860,000	$ 19,872,000	$ 18,162,000	$ 17,109,000	$ 15,811,000	$ 14,590,000
8.67 %	7.35 %	6.29 %	6.25 %	6.01 %	5.74 %

Changes of Benefit Terms

Legislation passed 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 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

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
PATIENT RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS (UNAUDITED)
JUNE 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)

Analysis of Aging:

	2017		2016	
Days Since Discharge	Amount	Percent to Total	Amount	Percent to Total
Hospital:				
0 - 30	$ 8,228,091	40.3 %	$ 7,447,219	46.9 %
31 - 60	2,559,245	12.5	2,071,146	13.0
61 - 90	1,403,752	6.9	1,129,517	7.1
91 - 120	995,171	4.9	694,719	4.4
Over 121	7,230,849	35.4	4,528,983	28.5
	20,417,108	100.0	15,871,584	100.0
Less:				
Allowance for Doubtful Accounts	4,282,763		1,520,000	
Allowance for Contractual Adjustments	6,697,303		3,734,000	
Total	$ 9,437,042		$ 10,617,584	

Allowance for Doubtful Accounts:

	Year Ended June 30,	
	2017	2016
Balance - Beginning	$ 1,520,000	$ 1,276,000
Provision for Bad Debts	2,746,945	1,185,786
Recoveries of Accounts Previously Written Off	368,158	390,981
	4,635,103	2,852,767
Accounts Written Off	352,340	1,332,767
Balance - Ending	$ 4,282,763	$ 1,520,000

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
INVENTORY/PREPAID EXPENSE
JUNE 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016
INVENTORY		
Store Room	$ 145,554	$ 167,096
Dietary	-	10,320
Pharmacy	354,515	307,371
Laboratory	87,958	71,046
Operating Room	723,443	724,997
Radiology	4,582	7,587
Total Inventory	$ 1,316,052	$ 1,288,417
PREPAID EXPENSES		
Dues and Contracts	$ 358,794	$ 344,370

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	
	Inpatient	Outpatient
Daily Patient Services:		
Medical and Surgical	$ 2,896,851	$ 1,929,584
Nursery	-	-
Obstetrics	1,126,137	423,421
Swing Bed	-	-
Vision Quest	1,693,713	-
Total Daily Patient Services	5,716,701	2,353,005
Other Nursing Services:		
Operating and Recovery Rooms	1,119,651	7,371,024
Delivery and Labor Rooms	-	-
Central Services and Supply	3,057,036	1,960,386
Wound/Ostomy Care	1,947	114,422
Emergency Services	142,991	5,425,378
Cardiac Rehabilitation and Stress Test	423	393,463
Total Other Nursing Services	4,322,048	15,264,673
Other Professional Services:		
Emergency Room Physicians	45,922	3,372,387
Laboratory	1,331,701	11,760,729
Radiology	96,448	1,996,722
Ultrasound	47,107	858,111
Nuclear Scanning	14,950	111,283
MRI Scanning	84,546	1,681,595
CT Scanning	259,812	4,081,663
Outsourced Services	144,865	1,060,205
Pharmacy	1,860,784	5,280,669
Oncology	345	295,171
Anesthesiology	722,316	2,038,797
Respiratory Therapy	1,069,356	1,278,829
Physical Therapy	230,505	1,844,009
Occupational Therapy	121,196	220,011
Speech Therapy	8,427	32,461
Durable Medical Equipment	-	464,625
Massage Therapy	5,035	45,691
Ambulance	18,466	2,299,296
Community Health	-	1,115,405
Hospice	485,318	698,024
Occupational Health	-	92,559
New Directions	99,562	2,147,240
Hospitalist	651,335	323,166
Physician Clinics	3,383,523	11,025,424
Mammograms	-	174,237
Total Other Professional Services	10,681,519	54,298,309
Total Patient Service Revenue	$ 20,720,268	$ 71,915,987

2017		2016
Swing Bed	Total	Total
$ -	$ 4,826,435	$ 5,389,957
-	-	402,972
-	1,549,558	696,571
489,883	489,883	540,828
-	1,693,713	2,654,383
489,883	8,559,589	9,684,711
25,457	8,516,132	8,133,196
-	-	757,303
25,855	5,043,277	4,341,686
25,013	141,382	101,599
116	5,568,485	4,705,522
-	393,886	232,825
76,441	19,663,162	18,272,131
-	3,418,309	3,066,718
83,688	13,176,118	11,037,205
6,064	2,099,234	2,199,838
426	905,644	858,643
-	126,233	128,827
6,763	1,772,904	1,926,602
-	4,341,475	4,198,168
14,487	1,219,557	1,191,139
236,624	7,378,077	7,770,013
-	295,516	309,071
9,720	2,770,833	2,663,865
174,558	2,522,743	2,326,051
99,033	2,173,547	2,104,490
58,220	399,427	438,167
1,566	42,454	42,220
-	464,625	392,590
-	50,726	44,188
-	2,317,762	2,373,934
-	1,115,405	1,466,421
-	1,183,342	1,135,751
-	92,559	105,949
-	2,246,802	2,368,196
86,896	1,061,397	909,497
-	14,408,947	16,078,394
-	174,237	-
778,045	65,757,873	65,135,937
$ 1,344,369	$ 93,980,624	$ 93,092,779

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
ADJUSTMENTS TO PATIENT SERVICE REVENUE/OTHER OPERATING REVENUES
YEARS ENDED JUNE 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016
Net Patient Service Revenue:		
Patient Service Revenue	$ 93,980,624	$ 93,092,779
Contractual Adjustments	(44,190,634)	(42,170,928)
Charity Care	(72,945)	(173,598)
Provision for Bad Debt	(2,746,945)	(1,185,786)
Total Net Patient Service Revenue	$ 46,970,100	$ 49,562,467
Other Revenue:		
Cafeteria	$ 155,135	$ 232,777
Medical Record Transcripts	20,765	19,843
Outpatient Clinics	109,079	112,119
Dietary Services	83,419	71,627
Retail Pharmacy Income, Net	963,241	658,288
Noncapital Grants	329,011	360,224
Miscellaneous	238,123	147,736
Total Other Revenue	$ 1,898,773	$ 1,602,614

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
NURSING SERVICE EXPENSES
YEARS ENDED JUNE 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016
Administrative:		
Salaries and Wages	$ 665,044	$ 704,960
Employee Benefits	102,927	111,279
Supplies and Other Expense	6,967	8,401
Total Administrative	774,938	824,640
Medical and Surgical:		
Salaries and Wages	1,943,824	2,116,897
Employee Benefits	301,236	343,365
Supplies and Other Expense	167,381	170,565
Total Medical and Surgical	2,412,441	2,630,827
Obstetrics:		
Salaries and Wages	620,160	694,130
Employee Benefits	93,625	112,110
Purchased Services	117,198	-
Supplies and Other Expense	79,720	114,100
Total Obstetrics	910,703	920,340
Vision Quest:		
Salaries and Wages	692,421	943,996
Employee Benefits	107,886	151,828
Purchased Services	8,246	8,027
Supplies and Other Expense	13,668	29,150
Total Vision Quest	822,221	1,133,001
Operating and Recovery Rooms:		
Salaries and Wages	937,760	914,001
Employee Benefits	143,566	142,400
Supplies and Other Expense	814,257	806,812
Total Operating and Recovery Rooms	1,895,583	1,863,213
Central Services and Supply:		
Supplies and Other Expense	2,416,276	1,918,832

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
NURSING SERVICE EXPENSES (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016
Wound/Ostomy Care:		
Salaries and Wages	$ 35,661	$ 35,057
Employee Benefits	5,922	5,646
Supplies and Other Expense	15,867	7,447
Total Wound/Ostomy Care	57,450	48,150
Emergency Services:		
Salaries and Wages	1,342,857	1,327,185
Employee Benefits	210,961	217,127
Purchased Services	32,810	-
Supplies and Other Expense	109,555	110,597
Total Emergency Services	1,696,183	1,654,909
Cardiac Rehabilitation:		
Salaries and Wages	150,725	177,935
Employee Benefits	24,406	28,528
Purchased Services	55,268	-
Supplies and Other Expense	33,498	36,227
Total Cardiac Rehabilitation	263,897	242,690
Total Nursing Service Expenses	$ 11,249,692	$ 11,236,602

SUMMARY

Salaries and Wages	$ 6,388,452	$ 6,914,161
Employee Benefits	990,529	1,112,283
Supplies and Other Expense	3,870,711	3,210,158
Total	$ 11,249,692	$ 11,236,602

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
OTHER PROFESSIONAL SERVICE EXPENSES
YEARS ENDED JUNE 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016
Emergency Room Physicians:		
Salaries and Wages	$ 1,256,854	$ 1,380,298
Employee Benefits	159,501	168,103
Professional Fees	35,077	25,595
Supplies and Other Expense	14,574	15,828
Total Emergency Room Physicians	1,466,006	1,589,824
Laboratory:		
Salaries and Wages	676,928	643,663
Employee Benefits	105,582	102,686
Purchased Services	672,226	657,406
Supplies and Other Expense	621,916	734,518
Total Laboratory	2,076,652	2,138,273
Oncology:		
Salaries and Wages	182,439	175,780
Employee Benefits	28,446	28,727
Supplies and Other Expense	15,714	20,229
Total Oncology	226,599	224,736
Radiology and Ultrasound:		
Salaries and Wages	766,549	750,919
Employee Benefits	118,963	120,195
Supplies and Other Expense	447,227	477,054
Total Radiology and Ultrasound	1,332,739	1,348,168
Outsourced Services:		
Purchased Services	316,140	342,344
Pharmacy:		
Salaries and Wages	353,903	338,173
Employee Benefits	55,334	53,665
Purchased Services	49,400	-
Drugs and Other Expense	2,268,683	2,336,741
Total Pharmacy Services	2,727,320	2,728,579

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
OTHER PROFESSIONAL SERVICE EXPENSES (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016
Anesthesiology:		
Salaries and Wages	$ 659,808	$ 657,023
Employee Benefits	84,318	86,382
Supplies and Other Expense	53,581	60,626
Total Anesthesiology	797,707	804,031
Respiratory Therapy:		
Salaries and Wages	330,715	301,427
Employee Benefits	50,254	47,425
Professional Fees	7,131	11,707
Supplies and Other Expense	67,852	97,701
Total Respiratory Therapy	455,952	458,260
Physical Therapy:		
Professional Fees	872,836	840,885
Supplies and Other Expense	33,280	35,803
Total Physical Therapy	906,116	876,688
Speech Therapy:		
Salaries and Wages	17,908	17,401
Employee Benefits	2,755	2,701
Supplies and Other Expense	184	557
Total Speech Therapy	20,847	20,659
Occupational Therapy:		
Professional Fees	160,570	175,747
Supplies and Other Expense	2,531	5,918
Total Occupational Therapy	163,101	181,665
Ambulance:		
Salaries and Wages	123,844	124,843
Employee Benefits	20,237	21,142
Purchased Services	120	967
Supplies and Other Expense	44,855	42,461
Total Ambulance	189,056	189,413
Community Health:		
Salaries and Wages	831,261	897,023
Employee Benefits	128,732	143,996
Purchased Services	130,371	159,886
Supplies and Other Expense	74,536	110,917
Total Community Health	1,164,900	1,311,822

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
OTHER PROFESSIONAL SERVICE EXPENSES (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016
Hospice:		
Salaries and Wages	$ 1,007,282	$ 954,423
Employee Benefits	153,886	151,366
Supplies and Other Expense	258,754	264,499
Total Hospice	1,419,922	1,370,288
Medical Records:		
Salaries and Wages	741,256	761,081
Employee Benefits	114,232	127,288
Supplies and Other Expense	159,573	41,095
Total Medical Records	1,015,061	929,464
Physician Clinics:		
Salaries and Wages	8,176,864	7,627,167
Employee Benefits	964,747	930,083
Purchased Services	360	-
Supplies and Other Expense	418,715	471,621
Total Physician Clinics	9,560,686	9,028,871
Dietician Services:		
Salaries and Wages	65,913	66,011
Employee Benefits	10,217	10,696
Supplies and Other Expense	4,799	3,212
Total Dietician Services	80,929	79,919
New Directions:		
Salaries and Wages	1,638,041	1,661,466
Employee Benefits	240,933	257,614
Purchased Services	6,848	16,968
Supplies and Other Expense	38,163	43,682
Total New Directions	1,923,985	1,979,730
Hospitalist:		
Salaries and Wages	828,971	856,774
Employee Benefits	115,752	133,040
Supplies and Other Expense	158,370	14,613
Total Hospitalist	1,103,093	1,004,427
Occupational Health:		
Salaries and Wages	132,981	135,226
Employee Benefits	21,687	21,789
Purchased Services	13,853	14,392
Supplies and Other Expense	29,190	25,139
Total Occupational Health	197,711	196,546

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
OTHER PROFESSIONAL SERVICE EXPENSES (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016
Employee Health:		
Salaries and Wages	$ 39,705	$ 49,964
Employee Benefits	4,321	7,289
Supplies and Other Expense	5,980	10,137
Total Employee Health	50,006	67,390
Durable Medical Equipment:		
Salaries and Wages	62,092	57,460
Employee Benefits	9,524	9,470
Supplies and Other Expense	137,697	148,201
Total Durable Medical Equipment	209,313	215,131
Massage Therapy:		
Salaries and Wages	60,181	53,244
Employee Benefits	9,197	8,750
Supplies and Other Expense	2,928	1,610
Total Massage Therapy	72,306	63,604
Total Other Professional Service Expenses	$ 27,476,147	$ 27,149,832

SUMMARY

Salaries and Wages	$ 17,953,495	$ 17,509,366
Employee Benefits	2,398,618	2,432,407
Professional Fees	1,075,614	1,053,934
Supplies and Other Expense	6,048,420	6,154,125
Total	$ 27,476,147	$ 27,149,832

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
GENERAL SERVICE EXPENSES
YEARS ENDED JUNE 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016
Dietary:		
Salaries and Wages	$ 327,182	$ 414,504
Employee Benefits	48,353	66,550
Food	249,640	343,434
Supplies and Other Expense	126,983	103,520
Total Dietary	752,158	928,008
Operation of Plant:		
Salaries and Wages	339,300	372,472
Employee Benefits	55,674	59,165
Utilities	531,045	550,558
Supplies and Other Expense	370,764	388,946
Total Operation of Plant	1,296,783	1,371,141
Environmental Services:		
Salaries and Wages	423,277	429,079
Employee Benefits	65,026	68,526
Supplies and Other Expense	61,258	68,313
Total Environmental Services	549,561	565,918
Laundry and Linen:		
Salaries and Wages	95,102	93,745
Employee Benefits	13,995	14,945
Purchased Services	195	-
Supplies and Other Expense	25,031	25,020
Total Laundry and Linen	134,323	133,710
Total General Service Expenses	$ 2,732,825	$ 2,998,777

SUMMARY

Salaries and Wages	$ 1,184,861	$ 1,309,800
Employee Benefits	183,048	209,186
Supplies and Other Expense	1,364,916	1,479,791
Total	$ 2,732,825	$ 2,998,777

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
FISCAL AND ADMINISTRATIVE SERVICE EXPENSES
YEARS ENDED JUNE 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016
Administrative:		
Salaries and Wages	$ 2,592,061	$ 2,725,799
Employee Benefits	375,384	477,990
Professional Fees	153,644	168,333
Supplies and Other Expense	795,365	523,640
Purchased Services	352,748	259,280
Travel and Education	37,559	21,229
Telephone	2,786	7,054
Dues, Subscriptions, and Licenses	67,958	33,540
Collection Fees	130,594	127,630
Total Administrative	4,508,099	4,344,495
Information Systems:		
Salaries and Wages	418,357	408,083
Employee Benefits	64,793	65,974
Purchased Services	319,403	308,699
Supplies and Other Expense	288,272	309,720
Total Information Systems	1,090,825	1,092,476
Purchasing:		
Salaries and Wages	188,575	174,836
Employee Benefits	28,240	28,061
Supplies and Other Expense	72,691	59,739
Total Purchasing	289,506	262,636
Public Relations:		
Salaries and Wages	165,895	168,979
Employee Benefits	26,275	27,275
Supplies and Other Expense	193,864	167,522
Total Public Relations	386,034	363,776
Human Resources:		
Salaries and Wages	236,150	231,638
Employee Benefits	35,610	37,566
Purchased Services	23,040	23,130
Supplies and Other Expense	57,169	40,577
Total Human Resources	351,969	332,911

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
FISCAL AND ADMINISTRATIVE SERVICE EXPENSES (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016
Employee Welfare:		
Unemployment Tax	$ 20,105	$ 84,440
Group Health and Life Insurance	2,044,745	2,136,587
Workers' Compensation Insurance	209,913	390,093
Pension Related Costs	1,139,791	(101,732)
Total Employee Welfare	3,414,554	2,509,388
Insurance:		
Insurance and Bonding Expense	329,565	460,769
Total Fiscal and Administrative Service Expenses	$ 10,370,552	$ 9,366,451

SUMMARY

Salaries and Wages	$ 3,601,038	$ 3,709,335
Employee Benefits	3,944,856	3,146,254
Professional Fees	153,644	168,333
Supplies and Other Expense	2,671,014	2,342,529
Total	$ 10,370,552	$ 9,366,451

SUMMARY OF EXPENSES

Salaries and Wages	$ 29,127,846	$ 29,442,662
Employee Benefits	7,517,051	6,900,130
Professional Fees	1,229,258	1,222,267
Supplies and Other Expense	13,955,061	13,186,603
Total	$ 51,829,216	$ 50,751,662

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
COMPARATIVE STATISTICS (UNAUDITED)
YEARS ENDED JUNE 30, 2017 THROUGH 2013
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016	2015	2014	2013
Acute Care:					
Admissions	967	1,189	1,382	1,239	1,092
Discharges	970	1,200	1,384	1,227	1,091
Patient Days	3,077	3,975	4,341	3,985	3,593
Average Length of Stay	3.17	3.31	3.14	3.25	3.29
Average Occupied Beds	8.4	10.9	11.9	10.9	9.8
Vision Quest:					
Admissions	71	117	108	119	114
Discharges	76	117	107	120	114
Patient Days	1,219	1,935	1,715	1,854	1,665
Average Length of Stay	16.04	16.54	16.03	15.45	14.61
Average Occupied Beds	3.3	5.3	4.7	5.1	4.6
Swing Bed:					
Admissions	143	148	153	212	248
Discharges	143	149	155	211	248
SNF Days	793	900	817	1,069	1,297
Combined Average Occupied Beds	13.9	18.7	18.8	18.9	18.0
Nursery Days	347	519	486	461	399
Hospice House Days	1,136	1,369	874	910	978
Home Health Visits	14,980	17,171	18,041	16,989	16,418
Outpatient Occasions of Service	229,788	212,139	208,826	196,046	137,115

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2017 THROUGH 2013
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash	$ 2,441,628	$ 3,678,265
Patient Receivables, Net	9,682,200	10,816,892
Inventory	1,316,052	1,288,417
Prepaid Expense	358,794	344,370
Estimated Third-Party Payor Settlements	377,000	-
Succeeding Year Property Tax Receivable	2,328,000	2,248,000
Internally Designated Assets	714,240	1,195,614
Total Current Assets	17,217,914	19,571,558
OTHER ASSETS		
Designated and Restricted Assets, Net	3,927,531	3,431,469
Capital Assets, Net	36,418,630	38,667,299
Other Assets	839,286	1,015,621
Total Other Assets	41,185,447	43,114,389
DEFERRED OUTFLOWS OF RESOURCES - PENSION RELATED	8,672,006	5,824,152
Total Assets and Deferred Outflows of Resources	$ 67,075,367	$ 68,510,099
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 1,217,202	$ 906,407
Accounts Payable	1,870,409	970,109
Accrued Expenses	3,553,878	4,093,366
Estimated Third-Party Payor Settlements	-	210,000
Total Current Liabilities	6,641,489	6,179,882
LONG-TERM LIABILITIES		
Long-Term Debt, Net	22,649,850	23,180,346
Net Pension Liability	23,549,426	18,289,756
Total Long-Term Liabilities	46,199,276	41,470,102
Total Liabilities	52,840,765	47,649,984
DEFERRED INFLOWS OF RESOURCES	2,620,628	3,812,653
NET POSITION	11,613,974	17,047,462
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 67,075,367	$ 68,510,099

2015	2014	2013
$ 2,129,500	$ 1,073,128	$ 2,303,763
13,195,428	12,782,095	8,149,052
1,103,136	1,163,871	1,122,398
169,107	193,407	164,560
-	-	94,000
1,808,000	1,807,000	1,800,000
551,706	211,054	1,200,000
18,956,877	17,230,555	14,833,773
4,059,669	5,294,168	4,835,025
39,284,816	40,593,077	40,526,354
1,074,160	1,080,104	270,224
44,418,645	46,967,349	45,631,603
6,282,941	-	-
$ 69,658,463	$ 64,197,904	$ 60,465,376
$ 244,240	$ -	$ 2,223,892
550,608	860,261	1,968,355
3,813,960	3,408,024	2,978,478
823,000	395,000	-
5,431,808	4,663,285	7,170,725
22,770,760	23,015,000	16,374,894
14,649,988	-	-
37,420,748	23,015,000	16,374,894
42,852,556	27,678,285	23,545,619
7,572,942	1,823,052	2,198,072
19,232,965	34,696,567	34,721,685
$ 69,658,463	$ 64,197,904	$ 60,465,376

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED JUNE 30, 2017 THROUGH 2013
(SEE INDEPENDENT AUDITORS' REPORT)

	2017	2016
Patient Service Revenue	$ 93,980,624	$ 93,092,779
Adjustments to Patient Service Revenue	(47,010,524)	(43,530,312)
Net Patient Service Revenue	46,970,100	49,562,467
Other Revenue	1,898,773	1,602,614
Total Revenue	48,868,873	51,165,081
Expenses	55,879,276	54,455,365
Operating Loss	(7,010,403)	(3,290,284)
Nonoperating Revenue, Net	1,576,915	1,104,781
Capital Grants and Contributions	-	-
Excess of Revenues Over (Under) Expenses	$ (5,433,488)	$ (2,185,503)

2015	2014	2013
$ 94,850,887	$ 87,065,694	$ 71,116,127
(46,424,987)	(38,437,908)	(31,701,849)
48,425,900	48,627,786	39,414,278
1,905,972	1,733,785	598,992
50,331,872	50,361,571	40,013,270
52,872,671	51,241,204	41,016,468
(2,540,799)	(879,633)	(1,003,198)
1,167,034	854,515	2,322,342
500,000	-	-
$ (873,765)	$ (25,118)	$ 1,319,144

COMMENTS AND RECOMMENDATIONS

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' 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*

Board of Trustees
Mahaska County Hospital
dba: Mahaska Health Partnership
Oskaloosa, 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 Mahaska County Hospital, dba: Mahaska Health Partnership (Hospital) and its discretely presented component unit, Mahaska Health Partnership Foundation as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures 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 the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as 2017-001, 2017-002, and 2017-003 to be material weaknesses.

Board of Trustees
Mahaska County Hospital
dba: Mahaska Health Partnership

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* 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

The Hospital's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The 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 Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Des Moines, Iowa
November 29, 2017

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017

PART I – FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

2017-001 Proposed Audit Adjustments

Criteria: The Hospital should establish and maintain internal control processes in order to prevent or detect misstatements in the annual financial statements.

Condition: During the course of the audit, misstatements of the Hospital's financial statements were identified that were not prevented or detected through the internal control processes in place. Management worked with the auditors to address and correct the misstatements.

Cause: Misstatements were identified as a result of year-end audit procedures performed. The Hospital worked with the audit firm to propose audit adjustments to reconcile the related accounts at year-end. All proposed audit adjustments are approved by management.

Effect: A misstatement of the financial statements could occur.

Recommendation: We recommend that the Hospital accounting personnel continue to review final account balances and consult with auditors throughout the year regarding accounts and adjustments, as needed, to prevent and detect misstatements going forward.

Response: Management will review and reconcile accounts and consult with the audit firm as needed during the year in order to prevent and detect financial statement misstatements.

Conclusion: Response accepted.

2017-002 Review Process for Journal Entries

Criteria: The Hospital should have a proper journal entry review process in place to prevent any errors.

Condition: A misstatement could occur due to lack of oversight.

Cause: There are journal entries that were not reviewed by anyone outside of the person who entered the entry. There are also journal entries being reviewed, but with no formal documentation as evidence of the review.

Effect: A misstatement of the financial statements could occur.

Recommendation: We recommend that all manual journal entries are reviewed by an individual who did not prepare the entry and for formal documentation of approval to be retained as evidence of review.

Response: All manual journal entries will be reviewed and approved on a monthly basis by an individual that did not prepare the journal entry.

Conclusion: Response accepted.

MAHASKA COUNTY HOSPITAL
DBA: MAHASKA HEALTH PARTNERSHIP
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017

2017-003 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 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: Currently individuals in the business office have the ability to handle cash, post payments, and write off patient balances. Also an individual has the ability to input invoices, cut checks, and has responsibility for reconciling the checking account.

Cause: The Hospital has a limited number of employees and procedures have not been designed to adequately segregate duties. Certain compensating controls have been implemented but risk still remains related to the condition above.

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 realize segregation of duties is difficult with a limited number of employees involved. However, the Hospital should review its procedures to obtain the maximum internal control possible under the circumstances, utilizing currently available staff. This can be done through further segregation of duties, restricting physical or software access by job description, or implementing compensating controls such as back-end review processes.

Response: Management will continue to review procedures and implement additional controls where possible.

Conclusion: Response accepted.

PART II – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

II-A-17 Certified Budget

Disbursements during the year ended June 30, 2017 did not exceed the amounts budgeted.

II-B-17 Questionable Expenditures

We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979."

II-C-17 Travel Expense

No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

II-D-17 Business Transactions

We noted no material business transactions between the Hospital and Hospital officials and/or employees.

II-E-17 Board Minutes

No transactions were found that we believe should have been approved in the board minutes but were not.

II-F-17 Deposits and Investments

Noted two instance of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.

Recommendation: It is recommended that the Hospital Board of Trustees approve a formal resolution for depository limits. We also recommend the Hospital implement a formal investment policy that complies with the requirements of Chapter 12B.

Response: The Hospital will pass a board resolution setting the depository limits and review regularly to ensure deposits do not exceed allowable amounts. The Hospital will also create an investment policy to ensure compliance.

Conclusion: Response accepted.

II-G-17 Publication of Bills Allowed and Salaries

Chapter 347.13(11) of the Code of Iowa states, "There shall be published quarterly in each of the official newspapers of the county as selected by the board of supervisors pursuant to section 349.1 the schedule of bills allowed and there shall be published annually in such newspapers the schedule of salaries paid by job classification and category…" The Hospital did not publish a schedule of salaries paid as required by the Code of Iowa as of year end.

Recommendation: The hospital should publish the schedule of salaries by job classification in accordance with Chapter 347.13(11) of the Code of Iowa.

Response: The Hospital published the schedule of salaries subsequent to year end and will publish this information annually.

Conclusion: Response accepted.