

# **Ringgold County Hospital**

Accountants' Report and Financial Statements

June 30, 2008 and 2007



**Ringgold County Hospital**  
**June 30, 2008 and 2007**

**Contents**

<b>Independent Accountants' Report on Financial Statements and Supplementary Information.....</b>	<b>1</b>
<b>Management's Discussion and Analysis .....</b>	<b>2</b>
<b>Financial Statements</b>	
Balance Sheets.....	7
Statements of Revenues, Expenses and Changes in Net Assets .....	8
Statements of Cash Flows.....	9
Notes to Financial Statements .....	10
<b>Supplementary Information</b>	
Patient Accounts Receivable and Allowance for Uncollectible Accounts .....	23
Supplies and Prepaid Expenses .....	24
Other Revenue .....	25
Net Patient Service Revenue .....	26
Operating Expenses .....	27
Organizational Data.....	28
<b>Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....</b>	<b>29</b>
<b>Schedule of Findings and Responses .....</b>	<b>33</b>



## Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees  
Ringgold County Hospital  
Mount Ayr, Iowa

We have audited the accompanying balance sheets of Ringgold County Hospital as of June 30, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ringgold County Hospital as of June 30, 2008 and 2007, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2008, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Hospital's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ **BKD, LLP**

Kansas City, Missouri  
October 16, 2008

# **Ringgold County Hospital**

## **Management's Discussion and Analysis**

### **Years Ended June 30, 2008 and 2007**

#### ***Introduction***

This management's discussion and analysis of the financial performance of Ringgold County Hospital (the "Hospital") provides an overview of the Hospital's financial activities for the years ended June 30, 2008 and 2007. It should be read in conjunction with the accompanying financial statements of the Hospital.

#### ***Financial Highlights***

- Cash and noncurrent investments decreased in 2008 by \$81,636 or 9% and increased in 2007 by \$253,694 or 36%, respectively.
- The Hospital's net assets increased in 2008 and 2007 by \$128,133 or 3% and \$226,936 or 6%, respectively.
- The Hospital reported operating losses in 2008 \$(728,689), 2007 \$(491,403) and 2006 \$(648,030). The operating loss in 2008 increased by \$237,286 or 48% from the operating loss reported in 2007. The operating loss in 2007 decreased by \$156,627 or 24% from the operating loss reported in 2006.

#### ***Using This Annual Report***

The Hospital's financial statements consist of three statements—a balance sheet, a statement of revenues, expenses and changes in net assets and a statement of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

#### ***The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Assets***

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets 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. Using the accrual basis of accounting means that 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 assets and changes in them. The Hospital's total net assets—the difference between assets and liabilities—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net assets are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

### ***The Statement of Cash Flows***

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

### ***The Hospital's Net Assets***

The Hospital's net assets are the difference between its assets and liabilities reported in the Balance Sheet. The Hospital's net assets increased by \$128,133 or 3% in 2008 over 2007 as shown in Table 1.

**Table 1: Assets, Liabilities and Net Assets**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Assets</b>			
Patient accounts receivable, net	\$ 1,386,176	\$ 1,400,764	\$ 1,477,807
Other current assets	1,595,041	1,681,958	1,100,950
Capital assets, net	3,997,944	2,864,478	3,033,437
Other noncurrent assets	314,386	316,394	460,718
	<u>7,293,547</u>	<u>6,263,594</u>	<u>6,072,912</u>
<b>Total assets</b>	<b>\$ 7,293,547</b>	<b>\$ 6,263,594</b>	<b>\$ 6,072,912</b>
<b>Liabilities</b>			
Long-term debt	\$ 191,493	\$ 284,410	\$ 447,639
Other current and noncurrent liabilities	2,978,230	1,983,493	1,856,518
	<u>3,169,723</u>	<u>2,267,903</u>	<u>2,304,157</u>
<b>Total liabilities</b>	<b>3,169,723</b>	<b>2,267,903</b>	<b>2,304,157</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,559,483	2,415,362	2,414,653
Unrestricted	564,341	1,580,329	1,354,102
	<u>4,123,824</u>	<u>3,995,691</u>	<u>3,768,755</u>
<b>Total net assets</b>	<b>4,123,824</b>	<b>3,995,691</b>	<b>3,768,755</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,293,547</b>	<b>\$ 6,263,594</b>	<b>\$ 6,072,912</b>

A significant element of the Hospital's assets is patient accounts receivable. The Hospital's patient accounts receivable decreased by \$14,588 (1%) at June 30, 2008, as compared to June 30, 2007. In 2007, the Hospital's patient accounts receivable decreased by \$77,403 (5%) as compared to 2006. Part of the decrease in patient accounts receivable in 2008 is due to increased allowances for contractual adjustments and bad debts. In addition, the Hospital is experiencing increasing discounts from third-party commercial insurance payers and an increase in self-pay balances.

### **Operating Results and Changes in the Hospital's Net Assets**

In 2008, the Hospital's net assets increased by \$128,133 or 3%, as shown in Table 2. This increase is made up of several different components discussed below and was lower than the increase in net assets for 2007 of \$226,936.

**Table 2: Operating Results and Changes in Net Assets**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Operating Revenues</b>			
Net patient service revenue, net of 2008 and 2007 provisions for uncollectible accounts of \$402,990 and \$322,195, respectively	\$ 9,537,261	\$ 9,302,275	\$ 8,726,229
Other	124,961	85,974	116,680
Total operating revenues	<u>9,662,222</u>	<u>9,388,249</u>	<u>8,842,909</u>
<b>Operating Expenses</b>			
Nursing services	1,488,146	1,389,229	1,313,868
Other professional services	5,569,898	5,131,305	5,109,698
General services	805,357	778,057	754,474
Administrative and fiscal services	2,162,267	2,174,269	1,994,118
Depreciation	365,243	406,792	318,781
Total operating expenses	<u>10,390,911</u>	<u>9,879,652</u>	<u>9,490,939</u>
<b>Operating Loss</b>	<u>(728,689)</u>	<u>(491,403)</u>	<u>(648,030)</u>
<b>Nonoperating Revenues (Expenses)</b>			
County taxes	821,390	654,342	666,301
Investment income	28,761	41,754	24,053
Interest expense	(24,520)	(27,546)	(35,159)
Noncapital gifts	5,809	21,614	1,288
Rental income	25,382	28,175	31,233
Total nonoperating revenues	<u>856,822</u>	<u>718,339</u>	<u>687,716</u>
<b>Increase in Net Assets</b>	<u>\$ 128,133</u>	<u>\$ 226,936</u>	<u>\$ 39,686</u>

## **Operating Losses**

The first component of the overall change in the Hospital's net assets is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In 2008, 2007 and 2006, the Hospital reported an operating loss primarily due to the Hospitals operating expenses increasing \$511,259 or 5% over 2007 and \$388,713 or 4% over 2006. The increase in operating expenses was partially offset by the increase in Hospital revenues of 3% during 2008, which was primarily the result of increased volume in inpatient and outpatient services. Based on these two factors, the Hospital had an increase in the operating loss of \$237,286 or 48% from 2007.

The operating loss for 2008 increased by \$237,286 or 48% and decreased by \$156,627 or 24% in 2007. The primary component of the operating loss in 2008 was a 43% increase in contractual adjustments from commercial insurance carriers and an increase in patient utilization of services such as MRI, CT and Nuclear Medicine, which are provided through contractual arrangements. The decrease in the operating loss in 2007 was partially due to the conversion to Critical Access Hospital status and the conversion to a provider-based clinic, both of which changed the reimbursement methodology for the Hospital and Clinic, and contributed to the improvement in the operating loss in 2007.

Net patient service revenue increased, in part, because of an increase in patient utilization from 2007 to 2008. Other factors impacting the change in net patient service revenue include commercial insurance carriers continuing to expect larger and larger discounts on services provided under preferred provider contracts, and the changes in payments from the Medicare program for both outpatient and provider-based clinic services.

## **Nonoperating Revenues and Expenses**

Nonoperating revenues and expenses consist primarily of county taxes, investment income and interest expense, of which county taxes increased \$167,048 or 26%, investment income decreased \$12,993 or 31% in 2008 over 2007, respectively, while interest expense remained relatively consistent with 2007 and 2006. With nonoperating funds invested in certificates of deposit, the Hospital's investment return decreased during 2008 and increased in 2007 due to fluctuating interest rates. Also, the investment options of the Hospital are severely limited due to the governmental status of the Hospital, which prevents the Hospital from investing in alternative arrangements with more favorable returns.

## **The Hospital's Cash Flows**

Changes in the Hospital's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses, discussed earlier.

## **Capital Asset and Debt Administration**

### Capital Assets

At the end of 2008, the Hospital had \$3,997,944 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements. In 2008, the Hospital purchased new capital assets costing \$1,498,708 of which, \$1,200,538 of the assets purchased were for the planning, design and other startup costs associated with the construction of a replacement 16-bed hospital facility. This project is part of a long-term strategic plan that was put in place during 2006.

At the end of 2007, the Hospital had \$2,864,478 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements. In 2007, the Hospital purchased new capital assets costing \$245,926.

## Debt

At June 30, 2008 and 2007, the Hospital had \$191,493 and \$284,410, respectively, in long-term debt outstanding. The Hospital issued no new debt in 2008 and 2007.

## Subsequent Planned Financing

Beginning in September 2008, the Hospital began a replacement hospital project (the Project), which consists of constructing a 61,000 square foot hospital facility. The Project is being constructed on a site, which has been acquired in the northern portion of Mount Ayr, Iowa, approximately 1.5 miles from the existing facility. The Hospital's administration anticipates that construction is to be completed in January 2010.

The estimated total cost of the Project is approximately \$24,655,000, including approximately \$21,176,000 in new construction, equipment and land acquisition costs, \$1,820,000 in capitalized interest payments, \$557,000 to be deposited into a bond reserve fund at closing and \$1,102,000 for debt issue costs. It is assumed that a \$23,180,000 USDA loan package would be the primary source of funds for the Project along with a \$1,475,000 equity contribution from the Hospital from its existing cash and investment reserves. Responsibility for payment of debt service on the loans is solely that of the Hospital. Other necessary funds to finance the Project are assumed to be provided from the Hospital's existing funds.

## ***Other Economic Factors***

The single largest economic factor affecting the Hospital is the aging, declining population of its service area. As the remaining population ages and median income decreases, the Hospital treats a larger percentage of Medicare and Medicaid patients, thus, increasing the Hospital's reliance on those programs' payment systems for a majority of its 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. Questions about this report and requests for additional financial information should be directed to the Hospital Administration by telephoning 641.464.3226.

# Ringgold County Hospital

## Balance Sheets

June 30, 2008 and 2007

### Assets

	<u>2008</u>	<u>2007</u>
<b>Current Assets</b>		
Cash	\$ 573,356	\$ 654,992
Patient accounts receivable, net of allowance; 2008 – \$585,000, 2007 – \$515,000	1,386,176	1,400,764
County taxes receivable	829,786	825,433
Other receivables	761	1,488
Supplies	144,630	155,493
Prepaid expenses	46,508	44,552
	<u>2,981,217</u>	<u>3,082,722</u>
Total current assets		
<b>Noncurrent Investments</b>		
Internally designated	<u>300,932</u>	<u>300,932</u>
<b>Capital Assets, Net</b>	<u>3,997,944</u>	<u>2,864,478</u>
<b>Other Assets</b>		
Assets managed by the South Central Iowa Community Foundation	<u>13,454</u>	<u>15,462</u>
Total assets	<u>\$ 7,293,547</u>	<u>\$ 6,263,594</u>

## Liabilities and Net Assets

	<u>2008</u>	<u>2007</u>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 246,968	\$ 164,684
Accounts payable	215,496	154,670
Accounts payable - capital assets	404,816	11,534
Accrued salaries and payroll taxes	381,173	345,415
Estimated self-insurance costs	60,511	60,511
Accrued compensated absences	358,101	408,193
Accrued interest on long-term debt	4,323	-
Estimated amounts due to third-party payers	503,000	26,000
Deferred revenue for county taxes	803,842	812,486
	<hr/>	<hr/>
Total current liabilities	2,978,230	1,983,493
<b>Long-term Debt</b>		
	191,493	284,410
	<hr/>	<hr/>
Total liabilities	3,169,723	2,267,903
	<hr/>	<hr/>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	3,559,483	2,415,362
Unrestricted	564,341	1,580,329
	<hr/>	<hr/>
Total net assets	4,123,824	3,995,691
	<hr/>	<hr/>
Total liabilities and net assets	\$ 7,293,547	\$ 6,263,594
	<hr/> <hr/>	<hr/> <hr/>

**Ringgold County Hospital**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of 2008 and 2007 provisions for uncollectible accounts of \$402,990 and \$322,195, respectively	\$ 9,537,261	\$ 9,302,275
Other	124,961	85,974
Total operating revenues	9,662,222	9,388,249
<b>Operating Expenses</b>		
Nursing services	1,488,146	1,389,229
Other professional services	5,569,898	5,131,305
General services	805,357	778,057
Administrative and fiscal services	2,162,267	2,174,269
Depreciation	365,243	406,792
Total operating expenses	10,390,911	9,879,652
<b>Operating Loss</b>	(728,689)	(491,403)
<b>Nonoperating Revenues (Expenses)</b>		
County taxes	821,390	654,342
Investment income	28,761	41,754
Interest expense	(24,520)	(27,546)
Noncapital gifts	5,809	21,614
Rental income	25,382	28,175
Total nonoperating revenues	856,822	718,339
<b>Increase in Net Assets</b>	128,133	226,936
<b>Net Assets, Beginning of Year</b>	3,995,691	3,768,755
<b>Net Assets, End of Year</b>	\$ 4,123,824	\$ 3,995,691

**Ringgold County Hospital**  
**Statements of Cash Flows**  
**Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 10,028,849	\$ 9,300,318
Payments to suppliers and contractors	(4,216,582)	(3,902,841)
Payments to employees	(5,760,369)	(5,554,283)
Other receipts, net	<u>122,822</u>	<u>87,284</u>
Net cash provided by (used in) operating activities	<u>174,720</u>	<u>(69,522)</u>
<b>Noncapital Financing Activities</b>		
County taxes supporting operations	803,541	658,186
Noncapital gifts	<u>5,809</u>	<u>21,614</u>
Net cash provided by noncapital financing activities	<u>809,350</u>	<u>679,800</u>
<b>Capital and Related Financing Activities</b>		
Rental income	25,382	28,175
Principal paid on long-term debt	(246,913)	(155,462)
Interest paid on long-term debt	(24,520)	(27,546)
Purchase of capital assets	<u>(851,151)</u>	<u>(239,143)</u>
Net cash used in capital and related financing activities	<u>(1,097,202)</u>	<u>(393,976)</u>
<b>Investing Activities</b>		
Interest on investments	31,496	42,533
Purchase of investments	(601,865)	(751,865)
Proceeds from maturity of investments	<u>601,865</u>	<u>896,189</u>
Net cash provided by investing activities	<u>31,496</u>	<u>186,857</u>
<b>Increase (Decrease) in Cash</b>	(81,636)	403,159
<b>Cash, Beginning of Year</b>	<u>654,992</u>	<u>251,833</u>
<b>Cash, End of Year</b>	<u>\$ 573,356</u>	<u>\$ 654,992</u>
<b>Reconciliation of Net Operating Loss to Net Cash Provided by (Used in) Operating Activities</b>		
Operating loss	\$ (728,689)	\$ (449,170)
Depreciation	365,243	406,792
(Gain) loss on disposition of property and equipment	(2,139)	1,310
Changes in operating assets and liabilities		
Patient accounts receivable, net	14,588	77,043
Supplies and prepaid expenses	8,907	(22,230)
Estimated amounts due from third-party payers	477,000	(121,232)
Accounts payable and accrued expenses	<u>39,810</u>	<u>37,965</u>
Net cash provided by (used in) operating activities	<u>\$ 174,720</u>	<u>\$ (69,522)</u>

# Ringgold County Hospital

## Notes to Financial Statements

June 30, 2008 and 2007

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Operations and Reporting Entity***

Ringgold County Hospital (“Hospital”) is an acute care hospital located in Mount Ayr, Iowa. The Hospital is a county public hospital organized under Chapter 347 of the Code of Iowa, and primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Ringgold County area.

#### ***Basis of Accounting and Presentation***

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county tax revenues) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, such as county taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The Hospital prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

#### ***Use of Estimates***

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

#### ***County Taxes***

Annually, during March, the Hospital’s Board of Trustees adopts a budget for the next fiscal year and approves a tax levy based on the valuation of all taxable property of Ringgold County on January 1 of the prior calendar year. After completion of a public hearing on the tax levy, taxes are received in installments the following September and March. Taxes become delinquent after March 31 of the following year. Revenue from county taxes is recognized in the year for which the taxes are levied.

**Ringgold County Hospital**  
**Notes to Financial Statements**  
**June 30, 2008 and 2007**

During each of the years ended June 30, 2008 and 2007, the Hospital received approximately 8% and 7%, respectively, of its financial support from county taxes. Such funds were used exclusively to support operations.

***Risk Management***

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and any claims incurred but not yet reported.

***Investments and Investment Income***

Investments in non-negotiable certificates of deposit are carried at amortized cost. Investment income includes interest income.

***Patient Accounts Receivable***

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

***Supplies***

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation, if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	15 – 20 years
Buildings and leasehold improvements	20 – 40 years
Equipment	4 – 10 years

# Ringgold County Hospital

## Notes to Financial Statements

### June 30, 2008 and 2007

#### ***Compensated Absences***

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

#### ***Net Assets***

Net assets of the Hospital are classified in two components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt.

#### ***Net Patient Service Revenue***

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

#### ***Charity Care***

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

#### ***Income Taxes***

As a county public hospital, the Hospital is exempt from federal and state income taxes under the Internal Revenue Code and state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

# Ringgold County Hospital

## Notes to Financial Statements

June 30, 2008 and 2007

### Note 2: Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

*Medicare.* Inpatient and outpatient services and defined capital cost related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor. Estimated settlements have been reflected in the accompanying financial statements.

*Medicaid.* Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with the final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid program.

Approximately 66% and 67% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2008 and 2007, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

### Note 3: Deposits, Investments and Investment Income

#### *Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance and the State of Iowa Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The Code of Iowa provides for additional assessments against depositories to ensure there will be no loss of public funds.

At June 30, 2008 and 2007, the Hospital had bank balances of \$996,072 and \$1,144,645, respectively, and carrying balances of \$874,288 and \$955,924, respectively, none of which were exposed to custodial credit risk.

# Ringgold County Hospital

## Notes to Financial Statements

June 30, 2008 and 2007

### **Investments**

The Hospital is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities, certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, certain registered open-end management investment companies, certain joint investment trusts and warrants or improvement certificates of a drainage district. The Hospital's investments at June 30, 2008 and 2007 consisted of certificates of deposit.

The carrying value of deposits are included in the balance sheets as follows:

	<b>2008</b>	<b>2007</b>
Cash	\$ 573,356	\$ 654,992
Certificates of deposit	300,932	300,932
	<u>\$ 874,288</u>	<u>\$ 955,924</u>

### **Note 4: Patient Accounts Receivable**

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at June 30, 2008 and 2007, consisted of:

	<b>2008</b>	<b>2007</b>
Medicare	\$ 662,863	\$ 529,013
Medicaid	44,856	76,329
Other third-party payers	542,272	645,320
Patients	721,185	665,102
	<u>1,971,176</u>	<u>1,915,764</u>
Less allowance for uncollectible accounts	585,000	515,000
	<u>\$ 1,386,176</u>	<u>\$ 1,400,764</u>

**Ringgold County Hospital**  
**Notes to Financial Statements**  
**June 30, 2008 and 2007**

**Note 5: Capital Assets**

Capital assets activity for the years ended June 30, 2008 and 2007, were:

	Beginning Balance	2008			Ending Balance
		Additions	Disposals	Transfers	
Land	\$ 127,004	\$ 241,360	\$ -	\$ -	\$ 368,364
Land improvements	304,625	-	-	-	304,625
Buildings and improvements	2,724,417	-	-	-	2,724,417
Fixed equipment	1,634,813	-	-	-	1,634,813
Major moveable equipment	2,082,852	56,812	27,412	-	2,112,252
Construction in progress	19,795	1,200,537	-	-	1,220,332
	<u>6,893,506</u>	<u>1,498,709</u>	<u>27,412</u>	<u>-</u>	<u>8,364,803</u>
Less accumulated depreciation					
Land					
improvements	109,136	13,207	-	-	122,343
Buildings and leasehold improvements	1,465,315	83,871	-	-	1,549,186
Fixed equipment	967,094	78,897	-	-	1,045,991
Major moveable equipment	1,487,483	189,268	27,412	-	1,649,339
	<u>4,029,028</u>	<u>365,243</u>	<u>27,412</u>	<u>-</u>	<u>4,366,859</u>
Capital assets, net	<u>\$ 2,864,478</u>	<u>\$ 1,133,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,997,944</u>

# Ringgold County Hospital

## Notes to Financial Statements

June 30, 2008 and 2007

	Beginning Balance	2007			Ending Balance
		Additions	Disposals	Transfers	
Land	\$ 127,004	\$ -	\$ -	\$ -	\$ 127,004
Land improvements	304,625	-	-	-	304,625
Buildings and improvements	2,724,417	-	-	-	2,724,417
Fixed equipment	1,634,813	-	-	-	1,634,813
Major moveable equipment	2,100,288	238,264	255,700	-	2,082,852
Construction in progress	<u>12,133</u>	<u>7,662</u>	<u>-</u>	<u>-</u>	<u>19,795</u>
	<u>6,903,280</u>	<u>245,926</u>	<u>255,700</u>	<u>-</u>	<u>6,893,506</u>
Less accumulated depreciation					
Land					
improvements	94,625	14,511	-	-	109,136
Buildings and leasehold improvements	1,331,910	133,405	-	-	1,465,315
Fixed equipment	890,376	76,718	-	-	967,094
Major moveable equipment	<u>1,552,933</u>	<u>182,157</u>	<u>247,607</u>	<u>-</u>	<u>1,487,483</u>
	<u>3,869,844</u>	<u>406,791</u>	<u>247,607</u>	<u>-</u>	<u>4,029,028</u>
Capital assets, net	<u>\$ 3,033,436</u>	<u>\$ (160,865)</u>	<u>\$ 8,093</u>	<u>\$ -</u>	<u>\$ 2,864,478</u>

### Note 6: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

# Ringgold County Hospital

## Notes to Financial Statements

June 30, 2008 and 2007

### Note 7: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate stop-loss amount. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability during 2008 and 2007 is summarized as follows:

	2008	2007
Balance, beginning of year	\$ 60,511	\$ 60,511
Current year claims incurred and changes in estimates for claims incurred in prior years	343,250	451,962
Claims and expenses paid	(343,250)	(451,962)
Balance, end of year	\$ 60,511	\$ 60,511

### Note 8: Long-term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended June 30, 2008 and 2007:

	2008				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue capital loan notes	\$ 262,900	\$ -	\$ 102,332	\$ 160,568	\$ 108,518
Notes payable	33,750	236,280	98,868	171,162	89,218
Lease purchase agreements	152,444	-	45,713	106,731	49,232
Total long-term debt	\$ 449,094	\$ 236,280	\$ 246,913	\$ 438,461	\$ 246,968

# Ringgold County Hospital

## Notes to Financial Statements

June 30, 2008 and 2007

	<b>2007</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt					
Revenue capital loan notes	\$ 360,456	\$ -	\$ 97,556	\$ 262,900	\$ 103,462
Note payable	48,750	-	15,000	33,750	15,000
Lease purchase agreements	195,350	-	42,906	152,444	46,222
	<u>\$ 604,556</u>	<u>\$ -</u>	<u>\$ 155,462</u>	<u>\$ 449,094</u>	<u>\$ 164,684</u>

### **Revenue Capital Loan Notes**

The revenue capital loan notes consist of Hospital Revenue Capital Loan Notes, Series 2000 (Notes), in the original amount of \$700,000 dated August 1, 1999, which bear interest at 5.25%. The Notes are payable in monthly installments of \$9,472 through December 2009. The Hospital is required to make monthly deposits to the debt service fund. The Notes are secured by the net revenues of the Hospital and a \$100,000 certificate of deposit.

The debt service requirements as of June 30, 2008, are as follows:

<b>Year Ending June 30,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2009	\$ 114,322	\$ 108,518	\$ 5,804
2010	52,797	52,050	747
	<u>\$ 167,119</u>	<u>\$ 160,568</u>	<u>\$ 6,551</u>

**Ringgold County Hospital**  
**Notes to Financial Statements**  
**June 30, 2008 and 2007**

**Notes Payable**

The Hospital has two notes payable outstanding as of June 30, 2008. The first is due October 2009, with principal payable in quarterly installments of \$3,750. This note is non-interest bearing and is secured by a loan guaranty from Mercy Hospital Medical Center.

The second note is due January 2011, with principal and interest at 6%, payable in annual installments of \$83,391. The note is secured by Hospital accounts receivable and deposit accounts.

The combined debt service requirements of these notes as of June 30, 2008, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2009	\$ 98,391	\$ 89,218	\$ 9,173
2010	87,141	81,944	5,197
	\$ 185,532	\$ 171,162	\$ 14,370

**Lease Purchase Obligations**

The Hospital is obligated under lease purchase agreements for equipment, due in monthly installments, including interest of 5.25% to 6.85%, through December 2011. Assets under capital leases at June 30, 2008 and 2007, totaled \$111,000 and \$134,500, respectively, net of accumulated depreciation of \$171,000 and \$147,500, respectively. The agreements are secured by equipment. The debt service requirements at June 30, 2008, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2009	\$ 54,306	\$ 49,232	\$ 5,074
2010	41,565	38,891	2,674
2011	18,991	18,608	383
	\$ 114,862	\$ 106,731	\$ 8,131

**Note 9: Operating Leases**

The Hospital has a noncancellable operating lease for a computerized tomography (CT) scanner that expires in 2013. Prior to June 1, 2007, the lease required contingent rental payments based on the number of CT scans performed each month with a maximum monthly rental of \$10,140. Subsequent to June 1, 2007, the lease was renegotiated to eliminate the contingent rental payments based on the number of CT scans performed and change the required lease payment to a flat rate of \$14,900 a month.

**Ringgold County Hospital**  
**Notes to Financial Statements**  
**June 30, 2008 and 2007**

Future minimum lease payments at June 30, 2008, were:

2009	\$ 178,800
2010	178,800
2011	178,800
2012	178,800
2013	<u>89,400</u>
Future minimum lease payments	<u><u>\$ 804,600</u></u>

Rental expense for all operating leases consisted of:

	<u>2008</u>	<u>2007</u>
Minimum rentals	\$ 49,651	\$ 68,164
Contingent rentals	<u>194,886</u>	<u>113,800</u>
	<u><u>\$ 244,537</u></u>	<u><u>\$ 181,964</u></u>

**Note 10: Pension Plan**

***Plan Description***

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

***Funding Policy***

Plan members are required to contribute 3.90% and 3.70% of their annual covered salary and the Hospital is required to contribute 6.05% and 5.75% of annual covered payroll for 2008 and 2007, respectively. Contribution requirements are established by state statute. The Hospital's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006, were \$275,057, \$241,256 and \$255,409, respectively, which equaled the required contributions for each year.

**Ringgold County Hospital**  
**Notes to Financial Statements**  
**June 30, 2008 and 2007**

**Note 11: Related Party Transactions**

The Hospital contracts with Mercy Medical Center (Medical Center) to provide certain management services including the administrator who is responsible for daily operating decisions. Other activities contracted with the Medical Center include the purchase of social service, dietician consulting and human resource services.

Payments to the Medical Center totaled \$335,124 and \$247,630 for the years ended June 30, 2008 and 2007, respectively.

**Note 12: Budget and Budgetary Accounting**

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on a cash basis following required public notice and hearings for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The annual budget was not amended during 2008 or 2007.

The following is a reconciliation between reported amounts and cash basis presentation as well as a comparison to budget for the year ended June 30, 2008:

	<b>Accrual Basis</b>	<b>Accrual Adjustments</b>	<b>Cash Basis</b>	<b>Budget</b>	<b>Budget to Cash Basis Variance</b>
Amount to be raised by taxation	\$ 821,390	\$ -	\$ 821,390	\$ 810,732	\$ 10,658
Other revenues/receipts	<u>9,722,174</u>	<u>491,588</u>	<u>10,213,762</u>	<u>10,598,788</u>	<u>(385,026)</u>
	10,543,564	491,588	11,035,152	11,409,520	(374,368)
Expenses/disbursements	<u>10,415,431</u>	<u>(48,717)</u>	<u>10,366,714</u>	<u>10,970,734</u>	<u>(604,020)</u>
	128,133	540,305	668,438	438,786	229,652
Balance, beginning of year	<u>3,995,691</u>	<u>(703,199)</u>	<u>3,292,492</u>	<u>3,695,964</u>	<u>(403,472)</u>
Balance, end of year	<u>\$ 4,123,824</u>	<u>\$ (162,894)</u>	<u>\$ 3,960,930</u>	<u>\$ 4,134,750</u>	<u>\$ (173,820)</u>

**Ringgold County Hospital**  
**Notes to Financial Statements**  
**June 30, 2008 and 2007**

**Note 13: Subsequent Event**

Beginning in September 2008, the Hospital began a replacement hospital project (the Project), which consists of constructing a 61,000 square foot hospital facility. The Project is being constructed on a site, which has been acquired in the northern portion of Mount Ayr, Iowa, approximately 1.5 miles from the existing facility. The Hospital's administration anticipates that construction is to be completed in January 2010.

The estimated total cost of the Project is approximately \$24,655,000, including approximately \$21,176,000 in new construction, equipment and land acquisition costs, \$1,820,000 in capitalized interest payments, \$557,000 to be deposited into a bond reserve fund at closing and \$1,102,000 for debt issue costs. It is anticipated that a \$23,180,000 USDA loan package would be the primary source of funds for the Project along with a \$1,475,000 equity contribution from the Hospital from its existing cash and investment reserves. Responsibility for payment of debt service on the loans is solely that of the Hospital. Other necessary funds to finance the Project are anticipated to be provided from the Hospital's existing funds.

## **Supplementary Information**

**Ringgold County Hospital**  
**Patient Accounts Receivable and**  
**Allowance for Uncollectible Accounts**  
**June 30, 2008 and 2007**

***Patient Accounts Receivable***

	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
<b>Age of Accounts</b>				
0 – 30 days	\$ 1,215,736	45.3%	\$ 1,305,869	50.6%
31 – 60 days	461,424	17.2%	347,384	13.5%
61 – 90 days	220,977	8.2%	185,371	7.2%
91 – 120 days	139,792	5.2%	164,986	6.4%
Over 120 days	<u>648,247</u>	<u>24.1%</u>	<u>577,154</u>	<u>22.3%</u>
	2,686,176	100.0%	2,580,764	100.0%
Allowance for contractual adjustments	<u>715,000</u>		<u>665,000</u>	
	1,971,176		1,915,764	
Less				
Allowance for uncollectible accounts	<u>585,000</u>		<u>515,000</u>	
	<u>\$ 1,386,176</u>		<u>\$ 1,400,764</u>	

***Allowance for Uncollectible Accounts***

	<b>2008</b>	<b>2007</b>
Balance, beginning of year	\$ 515,000	\$ 530,000
Provision for uncollectible accounts	402,990	322,195
Accounts written off	<u>(332,990)</u>	<u>(337,195)</u>
Balance, end of year	<u>\$ 585,000</u>	<u>\$ 515,000</u>

**Ringgold County Hospital**  
**Supplies and Prepaid Expenses**  
**June 30, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Supplies</b>		
Medical supplies	\$ 52,096	\$ 58,725
Pharmacy	92,534	96,768
	\$ 144,630	\$ 155,493
 <b>Prepaid Expenses</b>		
Insurance	\$ 29,779	\$ 31,775
Other	16,729	12,777
	\$ 46,508	\$ 44,552

**Ringgold County Hospital**  
**Other Revenue**  
**Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Grant revenue	\$ 52,984	\$ 18,490
Meals sold to employees and guests	30,074	29,980
Contract laundry services	872	723
Gain (loss) on disposition of capital assets	2,139	(1,310)
Purchase discounts	-	161
Other	<u>38,892</u>	<u>37,930</u>
	<u>\$ 124,961</u>	<u>\$ 85,974</u>

**Ringgold County Hospital**  
**Net Patient Service Revenue**  
**Years Ended June 30, 2008 and 2007**

	<b>Inpatient</b>	<b>2008 Outpatient</b>	<b>Total</b>
<b>Daily Patient Services</b>			
Medical and surgical	\$ 611,021	\$ -	\$ 611,021
Swing bed	60,493	-	60,493
	<u>671,514</u>	<u>-</u>	<u>671,514</u>
<b>Other Nursing Services</b>			
Operating room	132,435	768,264	900,699
Recovery room	12,288	123,052	135,340
Central services and supply	81,853	285,567	367,420
Intravenous therapy	89,696	105,228	194,924
Emergency services	18,184	711,244	729,428
	<u>334,456</u>	<u>1,993,355</u>	<u>2,327,811</u>
<b>Other Professional Services</b>			
Laboratory	379,277	1,882,480	2,261,757
Transfusion service	21,806	23,538	45,344
Cardiology	22,048	114,525	136,573
Radiology	342,359	2,118,276	2,460,635
Pharmacy	522,168	630,388	1,152,556
Respiratory therapy	227,625	178,840	406,465
Physical therapy	98,728	306,937	405,665
Anesthesiology	8,311	28,883	37,194
Ambulance service	8,437	396,480	404,917
Dialysis	-	948,194	948,194
Emergency room physicians	-	458,670	458,670
Clinics	-	3,230,141	3,230,141
	<u>1,630,759</u>	<u>10,317,352</u>	<u>11,948,111</u>
<b>Gross Patient Service Revenue</b>	<u>\$ 2,636,729</u>	<u>\$ 12,310,707</u>	<u>14,947,436</u>
<b>Less Allowances and Provision for Uncollectible Accounts</b>			
Medicare contractual allowances			3,426,279
Medicaid contractual allowances			327,612
Other contractual allowances			1,253,294
Provision for uncollectible accounts			402,990
			<u>5,410,175</u>
<b>Net Patient Service Revenue</b>			<u>\$ 9,537,261</u>

	<b>2007</b>		
<b>Inpatient</b>	<b>Outpatient</b>	<b>Total</b>	
\$ 575,450	\$ -	\$ 575,450	
82,458	-	82,458	
<u>657,908</u>	<u>-</u>	<u>657,908</u>	
104,759	796,958	901,717	
9,272	121,024	130,296	
82,479	343,611	426,090	
100,740	112,690	213,430	
12,507	586,533	599,040	
<u>309,757</u>	<u>1,960,816</u>	<u>2,270,573</u>	
361,349	1,819,311	2,180,660	
17,611	15,928	33,539	
25,080	106,846	131,926	
335,864	2,147,227	2,483,091	
566,405	566,249	1,132,654	
98,661	162,071	260,732	
121,321	261,265	382,586	
9,195	46,153	55,348	
8,825	409,721	418,546	
-	859,314	859,314	
-	416,609	416,609	
-	3,068,649	3,068,649	
<u>1,544,311</u>	<u>9,879,343</u>	<u>11,423,654</u>	
<u>\$ 2,511,976</u>	<u>\$ 11,840,159</u>	<u>14,352,135</u>	
		3,439,129	
		361,605	
		926,931	
		<u>322,195</u>	
		<u>5,049,860</u>	
		<u>\$ 9,302,275</u>	

**Ringgold County Hospital**  
**Operating Expenses**  
**Years Ended June 30, 2008 and 2007**

	<b>Salaries</b>	<b>2008 Supplies and Expense</b>	<b>Total</b>
<b>Nursing Services</b>			
Nursing administration	\$ 26,401	\$ 122,265	\$ 148,666
Medical and surgical	778,563	69,422	847,985
Operating room	252,787	174,682	427,469
Central services and supply	11,375	(13,221)	(1,846)
Emergency services	42,467	23,405	65,872
	<u>1,111,593</u>	<u>376,553</u>	<u>1,488,146</u>
<b>Other Professional Services</b>			
Laboratory	249,870	395,203	645,073
Transfusion service	-	36,831	36,831
Cardiology	5,892	4,588	10,480
Radiology	162,333	796,277	958,610
Pharmacy	132,234	361,472	493,706
Respiratory therapy	110,189	72,804	182,993
Physical therapy	167,085	62,614	229,699
Medical records	122,311	47,958	170,269
Ambulance service	199,439	49,145	248,584
Dialysis	192,103	246,228	438,331
Emergency room physicians	125,755	191,353	317,108
Clinics	1,536,855	301,359	1,838,214
	<u>3,004,066</u>	<u>2,565,832</u>	<u>5,569,898</u>
<b>General Services</b>			
Dietary	147,914	71,681	219,595
Plant operation and maintenance	97,071	349,568	446,639
Housekeeping	98,523	25,003	123,526
Laundry and linen	8,149	7,448	15,597
	<u>351,657</u>	<u>453,700</u>	<u>805,357</u>
<b>Administrative and Fiscal Services</b>			
Administrative	419,058	762,397	1,181,455
Employee benefits	-	980,812	980,812
	<u>419,058</u>	<u>1,743,209</u>	<u>2,162,267</u>
<b>Depreciation</b>			
	<u>-</u>	<u>365,243</u>	<u>365,243</u>
	<u>\$ 4,886,374</u>	<u>\$ 5,504,537</u>	<u>\$ 10,390,911</u>

<b>2007</b>		
<b>Salaries</b>	<b>Supplies and Expense</b>	<b>Total</b>
\$ 67,735	\$ 34,227	\$ 101,962
707,088	75,880	782,968
244,312	177,209	421,521
17,160	6,270	23,430
41,530	17,818	59,348
<u>1,077,825</u>	<u>311,404</u>	<u>1,389,229</u>
222,704	372,299	595,003
-	21,136	21,136
5,734	7,807	13,541
150,668	658,960	809,628
123,725	317,984	441,709
106,949	62,357	169,306
114,326	75,561	189,887
114,078	53,722	167,800
175,642	47,528	223,170
184,950	216,924	401,874
117,844	177,496	295,340
1,483,590	319,321	1,802,911
<u>2,800,210</u>	<u>2,331,095</u>	<u>5,131,305</u>
136,152	69,176	205,328
89,739	354,135	443,874
87,824	21,254	109,078
10,400	9,377	19,777
<u>324,115</u>	<u>453,942</u>	<u>778,057</u>
369,464	757,997	1,127,461
-	1,046,809	1,046,809
<u>369,464</u>	<u>1,804,806</u>	<u>2,174,270</u>
-	406,791	406,791
<u>\$ 4,571,614</u>	<u>\$ 5,308,038</u>	<u>\$ 9,879,652</u>

# Ringgold County Hospital

## Organizational Data

### June 30, 2008

#### ***Type of Organization***

County Public Hospital organized under Chapter 347 of the Code of Iowa, not subject to taxes on income or property.

#### ***Board of Trustees, Executive Committee***

Kathi Braby, Chairperson, Blockton, Iowa; term expires 2010  
Mike Kemery, Vice Chairperson, Clearfield, Iowa; term expires 2010  
Bill Armstrong, Secretary, Mount Ayr, Iowa; term expires 2008

#### ***Board of Trustees, Members***

Larry Teply, Mount Ayr, Iowa; term expires 2012  
Randy Gregg, Mount Ayr, Iowa; term expires 2008  
Jim Pederson, Mount Ayr, Iowa; term expires 2012  
Fred Wilson, Clearfield, Iowa; term expires 2010

#### ***Administrator and Chief Executive Officer***

Gordon W. Winkler, Mount Ayr, Iowa

#### ***Chief Financial Officer***

Teresa Roberts, Mount Ayr, Iowa



---

**Independent Accountants' Report on Internal  
Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of the Financial Statements Performed  
in Accordance with *Government Auditing Standards***

Board of Trustees  
Ringgold County Hospital  
Mount Ayr, Iowa

We have audited the financial statements of Ringgold County Hospital as of and for the year ended June 30, 2008, and have issued our report thereon dated October 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Hospital's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Hospital's financial statements that is more than inconsequential will not be prevented or detected by the Hospital's internal control.

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

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Compliance with Certain Provisions of Iowa Law***

The following comments about the Hospital's compliance with certain provisions of Iowa law for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our independent audit of the financial statements of the Hospital for the year ended June 30, 2008. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily examined. In addition, it should be noted that our audit was not directed primarily toward obtaining knowledge of compliance with the following items. Our procedures do not provide a legal determination on the Hospital's compliance with those requirements.

#### Official Depository Banks

A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2008.

#### Certified Budget

Budget hearings were held and publications were made in accordance with Chapter 24.9 of the Code of Iowa. Hospital disbursements during the year ended June 30, 2008 did not exceed amounts budgeted.

#### Questionable Expenditure

We did not note any questionable expenditures that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979. However, the following was noted:

Criteria or Specific Requirement – Management is responsible for establishing policies regarding questionable expenditures.

Condition – The Board of Trustees has not adopted written policies surrounding questionable expenditures that establish expenses considered to meet the public purpose and the required documentation for those expenditures.

Context – Written policies are not in effect.

Effect – Employees may not be aware of potential questionable expenditures and the need to document their public purpose.

Cause – Written policies are not in place.

Recommendation – Management should establish policies to inform employees of what is considered expenses that meet the public purpose and require documentation of that purpose.

Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendations. Management will perform suggested action to enact policies to conform to this requirement.

#### Travel Expense

No expenditures of Hospital money for travel expenses of spouses of Hospital officials were noted.

The mileage reimbursement rate for employees was not in excess of the IRS allowable limits and was approved by the Board.

#### Business Transactions

We noted no transactions between the Hospital and Hospital officials or employees other than those exempted by law; i.e., bankers on the Board of Trustees.

#### Trustee Minutes

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

#### Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Hospital's investment policy.

#### Unclaimed Property

We noted the Hospital filed an annual report of unclaimed property with the state treasurer in accordance with Chapter 556.11 of the Code of Iowa.

#### Disbursements for Equipment and Supplies

We did not note any disbursements for equipment or supplies that we believe were not in accordance with Chapter 347.13(3) of the Code of Iowa.

#### Compensation of Hospital Administrator, Assistants and Employees

No instances were noted in which compensation for the administrator, assistants or employees was determined other than in accordance with Chapter 347.13(5) of the Code of Iowa.

#### Internal Revenue Service Information Returns and Outside Services

We noted no instances where the Hospital failed to properly prepare a Form 1099 for outside services of \$600 or more or failed to properly classify workers as independent contractors versus employees.

Publication of Bills Allowed and Salaries

In accordance with Chapters 347.13(14) of the Code of Iowa, we noted the Hospital 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 published annually in such newspapers the schedule of salaries paid.

\* \* \* \* \*

This report is intended solely for the information and use of the governing body, management and the State of Iowa, and is not intended to be, and should not be used by anyone other than these specified parties.

/s/ **BKD, LLP**

Kansas City, Missouri  
October 16, 2008

**Ringgold County Hospital**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2008**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
-----------------------------	----------------	-----------------------------

None