

**Ringgold County Hospital**  
Mount Ayr, Iowa

**Financial Statements and  
Supplementary Information  
June 30, 2014 and 2013**

**Together with Independent Auditor's Report**

# Ringgold County Hospital

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# Ringgold County Hospital

Officials  
June 30, 2014

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Trustees, Executive Committee:</b>		
Kathi Braby	Chairperson	December 2016
Vicki Sickels	Vice-Chairperson	December 2016
Bill Armstrong	Secretary/Treasurer	December 2014
<b>Board of Trustees, Members:</b>		
Greg Jobe	Member	December 2014
Michael Hopkins	Member	December 2018
Karleen Stephens	Member	December 2016
<b>Hospital Officials:</b>		
Gordon W. Winkler	Administrator/Chief Executive Officer	Indefinite
Teresa Roberts	Chief Financial Officer	Indefinite

## Independent Auditor's Report

To the Board of Trustees  
Ringgold County Hospital  
Mount Ayr, Iowa:

### Report on the Financial Statements

We have audited the accompanying financial statements of Ringgold County Hospital (Hospital) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

### 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

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 the Hospital as of June 30, 2014 and 2013, and the respective changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2014 the Hospital adopted new accounting guidance to reflect the provisions of Statement No. 65 of the Governmental Accounting Standards Board, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 through 8 and budgetary comparison information on page 26 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 who considers it to be an essential part of 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 financial statements that collectively comprise the Hospital's basic financial statements. The supplementary statements (Exhibits 1 – 5) are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary statements (Exhibits 1 – 5) are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary statements (Exhibits 1 – 5) are fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014 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* in considering the Hospital's internal control over financial reporting and compliance.

SEIM JOHNSON, LLP.

Omaha, Nebraska,  
October 22, 2014.

# Ringgold County Hospital

## Management's Discussion and Analysis June 30, 2014 and 2013

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### Introduction

This discussion and analysis of Ringgold County Hospital's (the "Hospital") financial performance provides an overview of the Hospital's financial activities for the fiscal years ended June 30, 2014 and 2013. This discussion and analysis should be read in conjunction with the accompanying financial statements, which begin on page 9.

### Financial Highlights

- Cash and cash equivalents and short-term investments increased in 2014 by \$386,413 or 92% and decreased in 2013 by \$514,733 or 55%.
- The Hospital's net position decreased in 2014 by \$1,695,343 or 304% and in 2013 by \$922,824 or 253%.
- The Hospital reported operating losses in 2014 of \$3,045,245 and \$1,373,325 in 2013. The operating loss in 2014 increased by \$1,671,920 or 122% from the operating loss reported in 2013. The operating loss in 2013 decreased by \$908,481 or 40% from the operating loss reported in 2012.
- An extended leave for the General Surgeon and workflow issues associated with the implementation of an Electronic Health Record (EHR) in the Mount Ayr Medical Clinic created significant decreases in volumes and referrals to other services within the Hospital. Net patient service revenue in 2014 decreased \$2,095,169 or 13% over 2013.
- The Hospital initiated a Performance Improvement Plan to address declining revenue and increasing expenses, as well as working towards new services that had been identified as a need in the community.

### Using This Annual Report

The Hospital's financial statements consist of three statements - a statement of net position; a statement of revenue, 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 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 Statement of Net Position and Statement of Revenue, Expenses and Changes in Net Position

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 Statement of Net Position and the Statement of Revenue, Expenses and Changes 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, liabilities, and deferred inflows of resources using the accrual basis of accounting. All of the current year's revenue 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, liabilities, and deferred inflows of resources as one measure of 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. 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 final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash and cash equivalents 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 and cash equivalents balance during the reporting period.

# Ringgold County Hospital

## Management's Discussion and Analysis June 30, 2014 and 2013

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### The Hospital's Net Position

The Hospital's net position is the difference between its assets, liabilities, and deferred inflows of resources reported in the Statement of Net Position. The Hospital's net position decreased by \$1,695,343 or 304% in 2014 over 2013 as shown in Table 1.

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

	<u>2014</u>	<u>2013 Restated</u>	<u>2012</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 805,695	419,282	934,015
Short-term investments	270,000	270,000	270,000
Assets limited as to use or restricted	427,469	419,317	414,747
Patient accounts receivable, net	1,320,161	2,484,557	1,954,503
Other current assets	1,789,824	1,791,294	1,624,187
Capital assets, net	17,157,417	19,037,816	21,232,046
Other non current assets	1,283,490	1,228,746	2,477,346
	<u>23,054,056</u>	<u>25,651,012</u>	<u>28,906,844</u>
<b>Liabilities:</b>			
Long-term debt	21,993,970	22,299,238	23,874,152
Other current and non-current liabilities	2,033,376	2,629,721	3,387,815
	<u>24,027,346</u>	<u>24,928,959</u>	<u>27,261,967</u>
<b>Deferred inflows of resources:</b>			
Unavailable property tax revenue	1,280,472	1,280,472	1,280,472
<b>Net Position:</b>			
Net position	\$ <u>(2,253,762)</u>	<u>(558,419)</u>	<u>364,405</u>

A significant component of the change in the Hospital's assets is the decrease in capital assets, net. Capital assets, net decreased in 2014 due to the Hospital purchasing \$521,472 in capital assets and recording \$2,270,821 of depreciation expense during the fiscal year.

Cash reserves increased in 2014 by \$386,413 or 92% over 2013 after billing issues with the new Health Information System implemented in 2013 were cleared up and the backlog in claims were settled. Other noncurrent assets, consisting of assets limited as to use and assets managed by the South Central Iowa Community Foundation increased by \$54,744 or 4% over 2013.

In addition, Accounts Receivable in 2014 decreased \$1,164,396 or 47% over 2013 with the completion of the billing system implementation and the decreased patient volumes for 2014.

The most significant change in net position was the results of the operations of the Hospital, as addressed in the next section.

# Ringgold County Hospital

## Management's Discussion and Analysis June 30, 2014 and 2013

### Operating Results and Changes in the Hospital's Net Position

In 2014, the Hospital's net position decreased by \$1,695,343 or 304%, as shown in Table 2. This decrease is made up of several different components discussed below.

**Table 2: Condensed Statement of Revenue, Expenses, and Changes in Net Position**

	<u>2014</u>	<u>2013 Restated</u>	<u>2012</u>
<b>Operating revenue:</b>			
Net patient service revenue	\$ 13,555,607	15,650,776	14,461,316
Provision for bad debt	(382,047)	(491,775)	(437,862)
Other operating revenue	91,096	871,753	104,729
Total operating revenue	<u>13,264,656</u>	<u>16,030,754</u>	<u>14,128,183</u>
<b>Operating expenses:</b>			
Salaries and employee benefits	7,223,866	7,817,476	7,553,539
Professional fees and purchased services	2,862,210	2,721,463	2,593,323
Supplies and other	1,617,493	2,195,508	2,309,025
Other operating expenses	1,001,678	961,448	818,184
Depreciation and amortization	2,270,821	2,285,529	1,794,133
Interest expense	1,333,833	1,422,655	1,341,785
Total operating expenses	<u>16,309,901</u>	<u>17,404,079</u>	<u>16,409,989</u>
<b>Operating loss</b>	<u>(3,045,245)</u>	<u>(1,373,325)</u>	<u>(2,281,806)</u>
<b>Nonoperating revenue:</b>			
County tax revenue	1,282,475	1,283,114	1,030,661
Investment income	18,354	1,349	51,853
Other nonoperating revenue	27,795	33,237	85,796
Total nonoperating revenue	<u>1,328,624</u>	<u>1,317,700</u>	<u>1,168,310</u>
Excess expenses over revenue before capital grants and contributions	(1,716,621)	(55,625)	(1,113,496)
Capital grants and contributions	21,278	53,900	122,904
<b>Decrease in net position</b>	<u>(1,695,343)</u>	<u>(1,725)</u>	<u>(990,592)</u>
Net position, beginning of year, as previously reported	(558,419)	364,405	1,354,997
Cumulative effect of accounting change	--	(921,099)	--
Net position, beginning of year, as restated	<u>(558,419)</u>	<u>(556,694)</u>	<u>1,354,997</u>
Net position, end of year	<u>\$ (2,253,762)</u>	<u>(558,419)</u>	<u>364,405</u>

# Ringgold County Hospital

## Management's Discussion and Analysis June 30, 2014 and 2013

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### Operating Losses

The first component of the overall change in the Hospital's net position is its operating income or loss - generally, the difference between net patient service and other operating revenue and the expenses incurred to perform those services. In each of the past 3 years, the Hospital has reported an operating loss. Operating losses in 2014 increased by \$1,671,920 or 122% higher than the loss reported in 2013. Operating losses in 2013 decreased \$908,481 or 40%.

Net patient service revenue decreased \$2,095,169 or 13% over 2013, as compared to an increase of \$1,189,460 or 8% over 2012. The General Surgeon, employed by the hospital, was on an extended leave for 8 months during 2014. Coverage arrangements went into effect December, 2013 through the rest of the fiscal year and the billing for the temporary physician was done by his practice. Only procedures and lower acuity surgeries were performed one day a week during this time and any extensive surgeries were referred to other facilities. Therefore, the Hospital experienced significant declines in professional billings, hospital billings for surgeries and decreased patient days and ancillary services.

The Mount Ayr Medical Clinic providers and staff had to completely redo workflows with the implementation of the EHR creating an approximate decrease in patient volumes in 2014 over 2013 of 20%. With the decreased volumes of patients being seen in the clinic, inpatient days, and referrals for ancillary services such as lab and imaging decreased significantly as well. Acute patient days were 28% lower in 2014 as compared to 2013. Total operating revenue decreased in 2014 by \$2,766,098 or 17% and increased by \$1,902,571 or 13% in 2013.

During 2014, as a result of the implementation of a Performance Improvement Plan, the Hospital implemented the following new services: Dexascan, Nail Care program for Diabetics, Pulmonary Rehab, expanded Cardiac Rehab, Allergy testing and immunization services, and worked towards implementing a geriatric mental health program that will start in 2015. The Renal Dialysis unit was closed September 2013, in response to the identified significant losses the Hospital experienced in relation to this program as well as the decreased patient volumes in the unit. A total of 7.49 FTE's were eliminated during the year through attrition and staff taking "low census" hours during times of low patient volumes. Other operational changes related to both revenue and expenses, together with the changes listed above, mitigated the patient care revenue losses described above.

The need to operate and maintain a current information system to meet Center for Medicare & Medicaid Services regulations caused information technology service costs to continue to increase in 2014 with the preparation for attestation for Stage 2 Meaningful Use of the EHR. As further regulations go into effect surrounding "Meaningful Use" of an EHR, Ringgold County Hospital will see greater information technology costs required as further modules are implemented to meet the regulatory requirements.

The Hospital has or will implement several new programs during fiscal year 2015 to improve financial outcomes. Most significant of these programs is a replacement General Surgeon and expansion of surgery to include vascular procedures. A new surgeon started at the Hospital September 2014 and is performing a variety of new procedures that were previously referred to tertiary facilities. The Senior Life Solutions program, an intensive outpatient mental health program for Medicare patients, opened in October 2014. This is a service that was identified as a need in our community during the Community Health Needs Assessment process in the summer of 2014. Oncology specialist services have also started at the Hospital. Administration and staff are working towards converting the existing provider-based clinic to a provider-based rural health clinic under the Medicare and Medicaid program. The Hospital entered into an agreement for self-pay processing with an "early out" program that went into effect October 2014 in an effort to improve cash flow from self-pay accounts receivables. Administration continues to work with Mercy Health Network to identify group purchasing opportunities, sharing of staff between facilities, and contract renegotiation opportunities.

### Nonoperating Revenue

Nonoperating revenue consists primarily of county taxes, grants and investment income. County taxes decreased \$639 and investment income increased \$17,005 in 2014. Debt Service Reserve funds for Series 2008A & 2008B bonds are invested in U.S. government obligations and declines in the market in 2014 resulted in net unrealized losses in market value of \$12,335. \$127,458 in grant funds was received from various sources, including a Stage 1 Year 2 EHR payment from Iowa Medicaid.

# Ringgold County Hospital

## Management's Discussion and Analysis June 30, 2014 and 2013

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### The Hospital's Cash Flows

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

### Capital Asset and Debt Administration

#### Capital Assets

At the end of 2014, the Hospital had \$17,157,417 invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements. In 2014, the Hospital had new capital asset additions of \$521,472 for equipment, improvements, and construction in progress.

At the end of 2013, the Hospital had \$19,037,816 invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements. In 2013, the Hospital had new capital asset additions of \$433,018.

#### Debt

At June 30, 2014 and 2013, the Hospital had \$22,299,238 and \$22,585,454, respectively, in long-term debt outstanding which consists of the 2008A & 2008B Revenue Bonds and the 2010 USDA Revenue Bond issued for construction of the current hospital building in 2008.

### 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.

### Current Economic Conditions

The current protracted economic decline continues to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Current economic conditions, including rising insurance rates and increasing out-of-pocket costs, have made it difficult for certain of the Hospital's patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of federal regulations on the Medicare program may have an adverse effect on cash flows related to the Medicare program.

### 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

## Statements of Net Position June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u> <u>Restated</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 805,695	419,282
Short-term investments	270,000	270,000
Assets limited as to use or restricted, current portion	427,469	419,317
Receivables -		
Patients, net of estimated uncollectible accounts of \$802,000 in 2014 and \$834,000 in 2013	1,320,161	2,484,557
Succeeding year property tax	1,300,368	1,297,866
Other	63,939	148,237
Inventories	255,918	259,839
Prepaid expenses	169,599	85,352
	<u>4,613,149</u>	<u>5,384,450</u>
Total current assets		
Assets limited as to use or restricted	1,264,377	1,211,923
Capital assets, net	17,157,417	19,037,816
Other assets,		
Assets managed by the South Central Iowa Community Foundation	19,113	16,823
	<u>23,054,056</u>	<u>25,651,012</u>
Total assets		
<b>LIABILITIES</b>		
Current liabilities:		
Current portion of long-term debt	305,268	286,216
Accounts payable -		
Trade	456,570	584,877
Capital	--	26,520
Accrued salaries, vacation and benefits payable	845,653	976,833
Accrued interest on long-term debt	272,167	275,600
Estimated third-party payor settlements	153,718	479,675
	<u>2,033,376</u>	<u>2,629,721</u>
Total current liabilities		
Long-term debt, net of current portion	21,993,970	22,299,238
	<u>24,027,346</u>	<u>24,928,959</u>
Total liabilities		
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable property tax revenue	1,280,472	1,280,472
	<u>1,280,472</u>	<u>1,280,472</u>
<b>NET POSITION</b>		
Net investment in capital assets	(4,071,201)	(2,505,992)
Restricted -		
Expendable for debt service	313,100	259,430
Nonexpendable	19,113	16,823
Unrestricted	1,485,226	1,671,320
	<u>(2,253,762)</u>	<u>(558,419)</u>
Total net position	<u>\$ (2,253,762)</u>	<u>(558,419)</u>

See notes to financial statements

# Ringgold County Hospital

## Statements of Revenue, Expenses and Changes in Net Position For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013 Restated</u>
<b>OPERATING REVENUE:</b>		
Net patient service revenue before provision for bad debt	\$ 13,555,607	15,650,776
Provision for bad debt	(382,047)	(491,775)
Net patient service revenue	13,173,560	15,159,001
Other operating revenue	91,096	871,753
Total operating revenue	<u>13,264,656</u>	<u>16,030,754</u>
<b>OPERATING EXPENSES:</b>		
Salaries	5,349,163	5,843,749
Employee benefits	1,874,703	1,973,727
Professional fees and purchased services	2,862,210	2,721,463
Supplies and other	1,617,493	2,195,508
Repairs and maintenance	510,624	477,402
Utilities	313,128	291,946
Insurance	177,926	192,100
Depreciation	2,270,821	2,285,529
Interest	1,333,833	1,422,655
Total operating expenses	<u>16,309,901</u>	<u>17,404,079</u>
<b>OPERATING LOSS</b>	<u>(3,045,245)</u>	<u>(1,373,325)</u>
<b>NONOPERATING REVENUE:</b>		
County tax revenue	1,282,475	1,283,114
Investment income	18,354	1,349
Noncapital gifts	14,139	18,750
Rental income	13,656	14,487
Total nonoperating revenue	<u>1,328,624</u>	<u>1,317,700</u>
<b>EXCESS EXPENSES OVER REVENUE BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>(1,716,621)</b>	<b>(55,625)</b>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<u>21,278</u>	<u>53,900</u>
<b>DECREASE IN NET POSITION</b>	<u>(1,695,343)</u>	<u>(1,725)</u>
NET POSITION, beginning of year, as previously reported	(558,419)	364,405
CUMULATIVE EFFECT OF ACCOUNTING CHANGE (NOTE 14)	--	(921,099)
NET POSITION, beginning of year, as restated	<u>(558,419)</u>	<u>(556,694)</u>
NET POSITION, end of year	<u>\$ (2,253,762)</u>	<u>(558,419)</u>

*See notes to financial statements*

# Ringgold County Hospital

## Statements of Cash Flows For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u> <u>Restated</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from patients and third-party payors	\$ 14,011,999	14,613,028
Cash paid to employee salaries and benefits	(7,355,047)	(7,863,435)
Cash paid to suppliers and contractors	(5,605,716)	(6,336,422)
Other receipts and payments, net	193,785	867,231
Net cash provided by operating activities	<u>1,245,021</u>	<u>1,280,402</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Noncapital gifts	14,139	18,750
County tax revenue	1,279,973	1,281,845
Net cash provided by noncapital financing activities	<u>1,294,112</u>	<u>1,300,595</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(519,631)	(173,700)
Principal payments on long-term debt	(286,216)	(1,888,788)
Interest paid on long-term debt	(1,337,265)	(1,425,909)
Rental income	13,656	14,487
Capital grants and contributions	21,278	53,900
Net cash used in capital and related financing activities	<u>(2,108,178)</u>	<u>(3,420,010)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	18,354	1,349
Change in other assets, net	(2,290)	(1,101)
Change in short-term investments and assets limited as to use or restricted, net	(60,606)	324,032
Net cash provided by (used in) investing activities	<u>(44,542)</u>	<u>324,280</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	386,413	(514,733)
CASH AND CASH EQUIVALENTS, beginning of year	<u>419,282</u>	<u>934,015</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 805,695</u>	<u>419,282</u>

See notes to financial statements

## Ringgold County Hospital

### Statements of Cash Flows (Continued) For the Years Ended June 30, 2014 and 2013

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	<u>2014</u>	<u>2013</u> <u>Restated</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (3,045,245)	(1,373,325)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	2,270,821	2,285,529
(Gain) loss on sale of capital asset	102,689	(4,522)
Interest expense included in operating expenses	1,333,833	1,422,655
(Increase) decrease in current assets -		
Receivables -		
Patients	1,164,396	(530,054)
Other	84,298	(148,166)
Inventories	3,921	(21,745)
Prepaid expenses	(84,247)	4,073
Increase (decrease) in current liabilities -		
Accounts payable - trade	(128,307)	(292,165)
Accrued salaries, vacation and benefits payable	(131,181)	(45,959)
Estimated third-party payor settlements	<u>(325,957)</u>	<u>(15,919)</u>
Net cash provided by operating activities	\$ <u>1,245,021</u>	<u>1,280,402</u>

*See notes to financial statements*

# Ringgold County Hospital

## Notes to Financial Statements June 30, 2014 and 2013

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### (1) Description of Reporting Entity and Summary of Significant Accounting Policies

The following describes the reporting entity and is a summary of significant accounting policies of Ringgold County Hospital (Hospital). These policies are in accordance with U.S. generally accepted accounting principles.

#### A. *Reporting Entity*

The Hospital is a county public hospital organized under Chapter 347 of the Code of Iowa which is governed by a seven member board of trustees elected for terms of six years. The Hospital is a Critical Access Hospital, operating with 16 acute-care beds. The Hospital primarily earns revenue by providing inpatient, outpatient and emergency care services to patients in the Ringgold County area.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions and authorities. The Hospital has also 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 Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital. The Hospital has no component units which meet the Governmental Accounting Standards Board criteria.

#### B. *Industry Environment*

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursements for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Hospital is in compliance with applicable government laws and regulations as they apply to the areas of fraud and abuse. While no regulatory inquiries have been made which are expected to have a material effect on the Hospital's financial statements, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

As a result of recently enacted federal healthcare reform legislation, substantial changes are anticipated in the United States healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over approximately the next decade.

#### C. *Basis of Presentation*

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

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

# Ringgold County Hospital

## Notes to Financial Statements June 30, 2014 and 2013

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### Restricted:

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

Expendable – Expendable net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often have constraints on resources imposed by the Board which can be removed or modified.

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

### D. *Measurement Focus and Basis of Accounting*

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

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

### E. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

### F. *Cash and Cash Equivalents*

Cash and cash equivalents for purposes of the statements of cash flows include investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts limited as to use under debt agreements.

### G. *Patient Receivables, Net*

Net patient receivables are uncollateralized patient and third-party payer obligations. Unpaid patient receivables are not assessed interest. Payments of patient receivables are allocated to the specific claim identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third-party payers. Management reviews patient receivables by payer class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

The Hospital also maintains a charity care policy as described in Note 1(U).

# Ringgold County Hospital

## Notes to Financial Statements June 30, 2014 and 2013

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### *H. 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 the next fiscal year. By statute, the Board of Supervisors 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.

### *I. Inventories*

Inventories are stated at cost, determined by the first-in, first-out method, which approximates market.

### *J. Assets Limited as to Use or Restricted*

Assets limited as to use or restricted include assets held by trustees under indenture or loan agreements. These funds are reserve funds held as security for the Series 2008A, 2008B and 2010 bonds. These funds are used for the payment of principal and interest on the Series 2008A, 2008B and 2010 bonds when insufficient funds are available in the sinking fund. Amounts required to meet current liabilities of the Hospital have been reclassified in the statements of net position at June 30, 2014 and 2013.

### *K. Investments*

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in non-negotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices. Investment income includes interest income and the net change for the year in the fair value of investments carried at fair value.

### *L. Capital Assets, Net*

The Hospital's capital assets are recorded at historical cost. Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated life of each depreciable asset and is computed using the straight-line method. Contributed capital assets are reported at their estimated fair value at the time of their donation.

Useful lives are determined using guidelines from the American Hospital Association Guide for Estimated Useful Lives of Depreciable Hospital Assets. Lives range by capital asset classification as follows:

Land improvements	15 to 20 years
Buildings and building improvements	20 to 40 years
Equipment	3 to 10 years

The Hospital's capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected cash flows is less than the carrying amount of the asset, a loss is recognized.

# Ringgold County Hospital

## Notes to Financial Statements June 30, 2014 and 2013

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Gifts of capital assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire capital assets are reported as restricted support. Absent explicit donor stipulations about how long those capital assets must be maintained, expirations of donor restrictions are reported when the donated or acquired capital assets are placed into service.

*M. Compensated Absences*

Hospital policies permit most employees to accumulate paid time off 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 statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

*N. Deferred Inflows of Resources*

Deferred inflows of resources consist of succeeding year property taxes receivable which will not be recognized as revenue until the year for which it is levied. It 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 taxes 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 fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year.

*O. Group Health Insurance Costs*

The Hospital is self-insured under its employee group health program, up to certain limits. Included in the accompanying statements of revenue, expenses, and change in net assets is a provision for premiums for excess coverage and payments for claims including estimates of the ultimate costs for both reported claims and claims incurred but not yet reported at year-end.

*P. Income Taxes*

Under the Code of Iowa, Chapter 347, the Hospital is an instrumentality of the County of Ringgold, Iowa. As such, the Hospital is exempt from paying income taxes. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

*Q. Fair Value of Financial Instruments*

The carrying value of all financial instruments approximates estimated fair value. Cash and cash equivalents, short-term investments, assets limited as to use or restricted, accounts receivable, and accounts payable approximate fair value due to the relatively short period of time between their origination and expected realization. Fair values for investments are based on quoted market prices, if available, or estimated using quoted market prices of similar securities. The carrying value of long-term debt approximates fair value since the interest rates closely reflect current market rates.

*R. Statements of Revenue, Expenses and Changes in Net Position*

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are reported as operating revenue and expenses. Property tax levied to finance the current year is included in nonoperating revenue and peripheral or incidental transactions are reported as nonoperating revenue and expenses.

## Ringgold County Hospital

### Notes to Financial Statements June 30, 2014 and 2013

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S. *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. Payment arrangements include prospectively determined rates, reimbursed costs and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

T. *Grants and Contributions*

From time to time, the Hospital receives grants and contributions from individuals and private organizations. Revenue 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 restricted for a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

U. *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 adjustments to patient service revenue at the time of the charity determination.

V. *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. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

W. *Management*

The Hospital is a provider of healthcare services as a Critical Access Hospital. During the year, the Hospital had an agreement for management services with Mercy Medical Center-Des Moines. Administration and support services fees of \$460,697 and \$406,098 were incurred for the years ended June 30, 2014 and 2013, respectively.

X. *Change in Accounting Principle*

During 2014, the Hospital has adopted the provisions of GASB Statement No. 65, which requires reclassification of certain items previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources on the statement of net position. GASB 65 also requires recognition of certain items previously reported as assets and liabilities as outflows of resources or inflows of resources on the statement of revenue, expenses and changes in net position. The requirements of this statement improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The cumulative effect of the accounting change in connection with the implementation of GASB 65 was a reduction of \$921,099 in net position as of the beginning of 2013 (see Note 14).

# Ringgold County Hospital

## Notes to Financial Statements June 30, 2014 and 2013

Y. *Reclassification*

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 reporting format.

Z. *Subsequent Events*

The Hospital considered events occurring through October 22, 2014 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

**(2) Cash, Investments and Assets Limited as to Use or Restricted**

The Hospital's deposits in banks at June 30, 2014 and 2013 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 insure 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; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The Hospital's investments at June 30, 2014 and 2013 consisted of cash, money market mutual funds, and U.S. government obligations as follows:

		<b>2014</b>			
		<b>Maturities in Years</b>			
<u>Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Treasury Money					
Market Mutual Funds	\$ 696,367	696,367	--	--	--
U.S. Government Agency Obligations	<u>995,479</u>	<u>--</u>	<u>562,447</u>	<u>433,032</u>	<u>--</u>
	<u>\$ 1,691,846</u>	<u>696,367</u>	<u>562,447</u>	<u>433,032</u>	<u>--</u>

  

		<b>2013</b>			
		<b>Maturities in Years</b>			
<u>Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Treasury Money					
Market Mutual Funds	\$ 901,862	901,862	--	--	--
U.S. Government Agency Obligations	<u>729,378</u>	<u>--</u>	<u>409,534</u>	<u>319,844</u>	<u>--</u>
	<u>\$ 1,631,240</u>	<u>901,862</u>	<u>409,534</u>	<u>319,844</u>	<u>--</u>

# Ringgold County Hospital

## Notes to Financial Statements June 30, 2014 and 2013

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The Hospital manages the following risks in accordance with their formal investment policy:

*Credit Risk:* Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2014 the Hospital's investments in U.S. Government agency obligations not directly guaranteed by the U.S. government were rated AA+ by Standards & Poor's and its investments in U.S. Treasury money market mutual funds were rated AA+ by Standard & Poor's.

*Interest Rate Risk:* The Hospital's investment policy does not limit investments on interest rate risk. The Hospital complies with State of Iowa statutes in regards to interest rate risk.

*Custodial credit risk:* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Hospital's investment policy does not address how investments are to be held.

The composition of short-term investments and assets limited as to use or restricted as of June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Short-term investments, Certificates of deposit	\$ <u>270,000</u>	<u>270,000</u>
Assets limited as to use or restricted:		
By bond agreements –		
U.S. government agency obligations	995,479	729,378
U.S. treasury money market funds	<u>696,367</u>	<u>901,862</u>
Total assets limited as to use or restricted	1,691,846	1,631,240
Less amounts required to meet current obligations	<u>427,469</u>	<u>419,317</u>
Long-term portion	\$ <u>1,264,377</u>	<u>1,211,923</u>

Investment return, including return on assets limited as to use or restricted, for the years ended June 30, 2014 and 2013 is summarized as follows:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 30,689	28,420
Change in unrealized gains and losses, net	<u>(12,335)</u>	<u>(27,071)</u>
Total investment return	\$ <u>18,354</u>	<u>1,349</u>

### (3) 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. A summary of the payment arrangements with major third-party payers follows:

**Medicare** – Inpatient acute care services rendered to Medicare program beneficiaries in a Critical Access Hospital are paid based on Medicare defined costs of providing the services. Inpatient nonacute services and outpatient services related to Medicare beneficiaries are also paid based on a cost reimbursement methodology. Physician services related to Medicare beneficiaries are paid based on fee schedule amounts. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor. The Hospital's Medicare cost reports have been audited by the Medicare Administrative Contractor through June 30, 2012.

## Ringgold County Hospital

### Notes to Financial Statements June 30, 2014 and 2013

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The "Budget Control Act of 2011" requires, among other things, mandatory across-the-board reductions in Federal spending, also known as sequestration. As required by law, President Obama issued a sequestration order on March 1, 2013. In general, Medicare claims with dates of service or dates of discharge on or after April 1, 2013, incur a two percent reduction in Medicare payment.

**Medicaid** – Inpatient acute services and outpatient services rendered to Medicaid program beneficiaries in a Critical Access Hospital are paid based on Medicaid defined costs of providing the services. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital.

The Hospital has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Hospital under these agreements includes discounts from established charges and prospectively determined rates.

The following illustrates the Hospital's gross patient service revenue at its established rates and revenue deductions by major third-party payers:

	<u>2014</u>	<u>2013</u>
Gross patient service revenue:		
Inpatient	\$ 2,519,588	3,655,809
Outpatient	12,009,232	13,240,932
Swing bed	384,975	408,968
Dialysis	246,738	1,123,356
Clinic	<u>2,151,802</u>	<u>2,438,907</u>
Total gross patient service revenue	<u>17,312,335</u>	<u>20,867,972</u>
Deductions from gross patient service revenue:		
Medicare	1,576,356	2,825,791
Medicaid	315,968	465,062
Other payers	1,708,096	1,751,613
Charity care	<u>156,308</u>	<u>174,730</u>
Total deductions from gross patient service revenue	<u>3,756,728</u>	<u>5,217,196</u>
Net patient service revenue before provision for bad debt	<u>\$ 13,555,607</u>	<u>15,650,776</u>

The Hospital reports net patient service revenue at estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Revenue from the Medicare and Medicaid programs accounts for approximately 63% and 10%, respectively, of the Hospital's net patient revenue for the year ended June 30, 2014 compared to 60% for Medicare and 6% for Medicaid in 2013. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2014 and 2013 net patient service revenue increased approximately \$310,000 and \$50,000, respectively, due to additional allowances necessary or removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer subject to audits, reviews and investigations.

# Ringgold County Hospital

## Notes to Financial Statements June 30, 2014 and 2013

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### (4) Meaningful Use of Certified Electronic Health Record Technology Incentive Payments

The Health Information Technology for Economic and Clinical Health Act contains specific financial incentives designed to accelerate the adoption of electronic health record (EHR) systems among healthcare providers. During 2014 and 2013, the Hospital qualified for the financial incentive payments by attesting it met specific criteria set by the Center for Medicare and Medicaid services (CMS). Management's attestation is subject to audit by the federal government or its designee. The EHR incentive payment was and will be earned and received through various payments through 2015. The incentive amount is computed using several elements, one of which includes using the value of undepreciated assets required to implement the EHR system. In 2014 and 2013, the Hospital elected to record \$-0- and \$572,969, respectively, of the incentive payment as other operating revenue and defer approximately \$-0- and \$492,419, respectively, related to future Medicare reimbursement. In addition, the Iowa Department of Health and Human Services (DHHS) provides EHR incentive payments that will be earned and received through various payments through 2015. Medicaid incentive revenue of \$124,600 was earned in 2014 and 2013, respectively, and included with other revenue. The amounts recognized are based on management's best estimates and are subject to change, which would be recognized in the period in which the change occurs.

### (5) Composition of Patient Receivables

Patient receivables as of June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Patient accounts	\$ 2,550,161	4,228,557
Less estimated third-party contractual adjustments	(428,000)	(910,000)
Less allowance for uncollectible accounts	<u>(802,000)</u>	<u>(834,000)</u>
	<u>\$ 1,320,161</u>	<u>2,484,557</u>

The Hospital is located in Mount Ayr, Iowa. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers was as follows:

	<u>2014</u>	<u>2013</u>
Medicare	32%	44%
Medicaid	11	8
Commercial	20	23
Private pay	<u>37</u>	<u>25</u>
	<u>100%</u>	<u>100%</u>

# Ringgold County Hospital

## Notes to Financial Statements June 30, 2014 and 2013

### (6) Capital Assets

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

	June 30, 2013	Additions	Transfers and Disposals	June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 368,364	--	--	368,364
Construction in progress	26,520	263,264	(26,520)	263,264
Total capital assets, not being depreciated	<u>394,884</u>	<u>263,264</u>	<u>(26,520)</u>	<u>631,628</u>
Capital assets, being depreciated:				
Land improvements	1,502,354	--	--	1,502,354
Hospital buildings	9,468,113	--	--	9,468,113
Fixed equipment	7,769,077	5,593	(82,002)	7,692,668
Major moveable equipment	7,461,117	279,135	(226,496)	7,513,756
Total capital assets, being depreciated	<u>26,200,661</u>	<u>284,728</u>	<u>(308,498)</u>	<u>26,176,891</u>
Less accumulated depreciation:				
Land improvements	313,836	90,997	--	404,833
Hospital buildings	1,816,786	519,123	--	2,335,909
Fixed equipment	1,702,156	447,907	(73,326)	2,076,737
Major moveable equipment	3,724,951	1,212,794	(104,122)	4,833,623
Total accumulated depreciation	<u>7,557,729</u>	<u>2,270,821</u>	<u>(177,448)</u>	<u>9,651,102</u>
Total capital assets, being depreciated, net	<u>18,642,932</u>	<u>(1,986,093)</u>	<u>(131,050)</u>	<u>16,525,789</u>
Total capital assets, net	<u>\$ 19,037,816</u>	<u>(1,722,829)</u>	<u>(157,570)</u>	<u>17,157,417</u>
	June 30, 2012	Additions	Transfers and Disposals	June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 368,364	--	--	368,364
Construction in progress	193,989	150,473	(317,942)	26,520
Total capital assets, not being depreciated	<u>562,353</u>	<u>150,473</u>	<u>(317,942)</u>	<u>394,884</u>
Capital assets, being depreciated:				
Land improvements	1,502,354	--	--	1,502,354
Hospital buildings	9,468,113	--	--	9,468,113
Fixed equipment	7,769,077	--	--	7,769,077
Major moveable equipment	7,318,787	282,545	(140,215)	7,461,117
Total capital assets, being depreciated	<u>26,058,331</u>	<u>282,545</u>	<u>(140,215)</u>	<u>26,200,661</u>
Less accumulated depreciation:				
Land improvements	222,840	90,996	--	313,836
Hospital buildings	1,297,663	519,123	--	1,816,786
Fixed equipment	1,252,141	450,015	--	1,702,156
Major moveable equipment	2,615,994	1,225,395	(116,438)	3,724,951
Total accumulated depreciation	<u>5,388,638</u>	<u>2,285,529</u>	<u>(116,438)</u>	<u>7,557,729</u>
Total capital assets, being depreciated, net	<u>20,669,693</u>	<u>(2,002,984)</u>	<u>(23,777)</u>	<u>18,642,932</u>
Total capital assets, net	<u>\$ 21,232,046</u>	<u>(1,852,511)</u>	<u>(341,719)</u>	<u>19,037,816</u>

Depreciation expense of \$2,270,821 and \$2,285,529 in 2014 and 2013, respectively, is included in the accompanying statements of revenue, expenses and change in net position.

# Ringgold County Hospital

## Notes to Financial Statements June 30, 2014 and 2013

### (7) Long-Term Debt

Long-term debt activity of the Hospital for the years ended June 30, 2014 and 2013 consisted of the following:

	June 30, 2013	Borrowings	Payments	June 30, 2014	Due Within One Year
Hospital Revenue Bond, Series 2008A (A)	\$ 12,720,000	--	170,000	12,550,000	185,000
Hospital Revenue Bond, Series 2008B (B)	1,430,000	--	10,000	1,420,000	10,000
Hospital Revenue Bond, Series 2010 (C)	8,435,454	--	106,216	8,329,238	110,268
	<u>\$ 22,585,454</u>	<u>--</u>	<u>286,216</u>	<u>22,299,238</u>	<u>305,268</u>

  

	June 30, 2012	Borrowings	Payments	June 30, 2013	Due Within One Year
Hospital Revenue Bond, Series 2008A (A)	\$ 12,880,000	--	160,000	12,720,000	170,000
Hospital Revenue Bond, Series 2008B (B)	1,440,000	--	10,000	1,430,000	10,000
Hospital Revenue Bond, Series 2010 (C)	8,537,766	--	102,312	8,435,454	106,216
Note payable (D)	1,616,476	--	1,616,476	--	--
	<u>\$ 24,474,242</u>	<u>--</u>	<u>1,888,788</u>	<u>22,585,454</u>	<u>286,216</u>

- (A) Series 2008A Hospital Revenue Bonds; issued in the original amount of \$13,030,000, maturing serially at varying amounts through 2038, semiannual interest payments at 6.70%; collateralized by the Hospital's net revenue. The USDA-RD has issued to ArborOne ACA (the Servicer) a conditional commitment for guarantee, whereby, subject to certain conditions, to guarantee payment of principal and interest on the Series 2008A Bonds.
- (B) Series 2008B Hospital Revenue Bonds; issued in the original amount of \$1,450,000, maturing serially at varying amounts through 2038, semiannual interest payments at 10.12%; collateralized by the Hospital's net revenue.
- (C) In October 2010, the Hospital refinanced the Hospital Revenue Bonds Series 2009 and acquired permanent financing through the USDA Rural Development with Hospital Revenue Bonds, Series 2010 at 3.75%. Monthly principal and interest payments at \$35,061 are due commencing November 1, 2010 through October 1, 2050.
- (D) In August 2011, the Hospital entered into a note payable with Med One Capital Funding, LLC in the amount of \$1,595,075 at 7.66% interest rate with monthly interest only payments of \$7,975 through July 2012, and principal and interest payments of \$39,072 beginning in August 2013 through July 2016. The loan was entered for the purpose of paying the costs of acquiring a hospital information system necessary to meet the adoption of meaningful use health information technology and qualified electronic health records under the Medicare and Medicaid programs. This was paid in full during 2013.

In conjunction with the issuance of the Hospital Revenue Bonds, the Hospital has agreed to comply with certain covenants as described in the bond indentures which places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the bonds are outstanding.

In addition, the Hospital is required to make monthly payments of \$3,506 into a debt service reserve account for ten years.

## Ringgold County Hospital

### Notes to Financial Statements June 30, 2014 and 2013

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A summary of the Hospital's future principal and interest payments as of June 30, 2014 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 305,268	1,288,315	1,593,583
2016	324,475	1,270,113	1,594,588
2017	338,842	1,250,828	1,589,670
2018	358,376	1,230,538	1,588,914
2019	378,083	1,209,070	1,587,154
2020-2024	2,387,551	5,649,814	8,037,365
2025-2029	3,180,278	4,812,165	7,992,443
2030-2034	4,258,420	3,670,730	7,929,150
2035-2039	6,918,237	2,064,055	8,982,292
2040-2044	1,517,280	586,380	2,103,660
2045-2049	1,829,653	274,007	2,103,660
2050-2051	502,775	12,575	515,350
	<u>\$ 22,299,238</u>	<u>23,318,589</u>	<u>45,617,827</u>

#### (8) Professional Liability Insurance

The Hospital carries a professional liability policy (including malpractice) providing coverage of \$1,000,000 for injuries per occurrence and \$3,000,000 aggregate coverage. In addition, the Hospital carries an umbrella policy which also provides \$1,000,000 per occurrence and aggregate coverage. These policies provide coverage on a claims-made basis covering only those claims which have occurred and are reported to the insurance company while the coverage is in force. In the event the Hospital should elect not to purchase insurance from the present carrier or the carrier should elect not to renew the policy, any unreported claims which occurred during the policy year may not be recoverable from the carrier.

Accounting principles generally accepted in the United States of America require a healthcare provider to recognize the ultimate costs of malpractice claims or similar contingent liabilities, which include costs associated with litigating or settling claims, when the incidents that give rise to the claims occur. The Hospital does evaluate all incidents and claims along with prior claim experienced to determine if a liability is to be recognized. For the years ending June 30, 2014 and 2013, management determined no liability should be recognized for asserted or unasserted claims. Management is not aware of any such claim that would have a material adverse impact on the accompanying financial statements.

#### (9) Pension Plan

The Hospital contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. 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, PO Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% and 5.78% of their annual covered salary and the Hospital is required to contribute 8.93% and 8.67% of annual covered payroll for 2014 and 2013, respectively. Contribution requirements are established by state statute. The Hospital's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012, were \$485,789, \$483,823, and \$431,850, respectively, which equaled the required contributions for each year.

# Ringgold County Hospital

## Notes to Financial Statements June 30, 2014 and 2013

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### (10) Self-Funded Health Insurance

The Hospital has established a self-funded employee health insurance fund. All employees' payroll withholdings for health insurance and the Hospital's contributions are deposited into a separate benefit account. Under the self-insured plan, the Hospital pays claims from this fund, up to certain limits, and carries stop loss insurance for claims in excess of the limits. Stop-loss coverage is provided through a commercial insurance company. The Hospital incurred health insurance expenses of \$954,451 and \$1,050,707 as of June 30, 2014 and 2013, respectively.

### (11) Commitments and Contingencies

#### Commitments

The Hospital leases certain equipment under various three to five year noncancellable operating leases. The rental expense for the operating leases was \$233,800 and \$276,414 for the years ended June 30, 2014 and 2013, respectfully. The following is a schedule by year of future minimum rental payments required under noncancellable operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2014:

2015	\$	<u>14,124</u>
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### (12) Risks and Uncertainties

Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

### (13) Sufficient Estimates and Concentrations

#### *Current Economic Conditions*

The current protracted economic environment continues to present hospitals with unprecedented circumstances and challenges, which in some cases have resulted in large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in allowances for accounts and contributions receivable that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity.

# Ringgold County Hospital

## Notes to Financial Statements June 30, 2014 and 2013

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### (14) Change in Accounting Principle

In accordance with GASB Statement No. 65, which was adopted effective July 1, 2012 the Hospital restated the ending net position at June 30, 2012 and depreciation expense for the year ended June 30, 2013, in connection with unamortized bond issuance costs. According to GASB 65, debt issuance costs are recognized as expenses in the period incurred, rather than as deferred costs and subsequently amortized.

<u>Description</u>	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>Restated Balance</u>
Other assets, deferred financing costs	\$ 871,972	(871,972)	--
Depreciation expense	2,334,656	(49,127)	2,285,529
Decrease in net position	(50,852)	49,127	(1,725)
Net position, June 30, 2012	364,405	(921,099)	(556,694)

## Ringgold County Hospital

### Budgetary Comparison Schedule of Revenue, Expenses and Changes in Net Position – Budget and Actual (Accrual Basis) June 30, 2014

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary prospective differences.

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.

For the year ended June 30, 2014, the Hospital's expenditures did not exceed the amounts budgeted.

	Actual Accrual Basis	Budgeted Accrual Amounts	Variance Favorable (Unfavorable)
Amount raised by taxation	\$ 1,282,475	1,243,452	39,023
Add: Other revenues / receipts	13,332,083	16,983,331	(3,651,248)
Less: Expenses / disbursements	<u>16,309,901</u>	<u>18,900,543</u>	<u>2,590,642</u>
Net	(1,695,343)	(673,760)	<u>(1,021,583)</u>
Balance beginning of year	<u>(558,419)</u>	<u>(1,255,589)</u>	
Balance end of year	\$ <u><u>(2,253,762)</u></u>	<u><u>(1,929,349)</u></u>	

*See accompanying independent auditor's report*

**Patient Service Revenue**  
**For the Years Ended June 30, 2014 and 2013**

	2014			2013		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
<b>DAILY PATIENT SERVICES:</b>						
Medical and surgical	\$ 517,682	--	517,682	667,057	--	667,057
Swing bed	93,912	--	93,912	100,353	--	100,353
	<u>611,594</u>	<u>--</u>	<u>611,594</u>	<u>767,410</u>	<u>--</u>	<u>767,410</u>
<b>NURSING SERVICES:</b>						
Emergency	5,436	969,243	974,679	89,214	1,029,021	1,118,235
Central Services	715,589	160,933	876,522	1,206,226	232,791	1,439,017
Operating room	142,068	593,674	735,742	226,497	887,700	1,114,197
Intravenous therapy	117,726	167,078	284,804	149,939	212,529	362,468
CRNA	30,008	164,979	194,987	54,799	224,026	278,825
Recovery room	12,521	150,930	163,451	17,214	207,220	224,434
	<u>1,023,348</u>	<u>2,206,837</u>	<u>3,230,185</u>	<u>1,743,889</u>	<u>2,793,287</u>	<u>4,537,176</u>
<b>OTHER PROFESSIONAL SERVICES:</b>						
Laboratory	338,954	2,750,372	3,089,326	413,747	2,884,389	3,298,136
Radiology	268,267	2,808,545	3,076,812	281,007	2,914,775	3,195,782
Clinic	32,186	2,566,007	2,598,193	64,465	3,077,537	3,142,002
Pharmacy	234,453	1,389,315	1,623,768	318,510	2,101,429	2,419,939
Physical, occupational, and speech therapy	170,663	776,469	947,132	191,416	731,880	923,296
Emergency room physicians	--	723,748	723,748	11,167	703,346	714,513
Ambulance service	--	468,484	468,484	4,728	517,565	522,293
Respiratory therapy	181,198	283,207	464,405	215,330	265,892	481,222
Cardiology	23,945	301,420	325,365	33,674	365,443	399,117
Dialysis	--	88,968	88,968	--	407,500	407,500
Transfusion service	19,930	43,416	63,346	19,434	37,706	57,140
Anesthesiology	25	984	1,009	--	2,446	2,446
	<u>1,269,621</u>	<u>12,200,935</u>	<u>13,470,556</u>	<u>1,553,478</u>	<u>14,009,908</u>	<u>15,563,386</u>
<b>GROSS PATIENT SERVICE REVENUE</b>	<b>\$ <u>2,904,563</u></b>	<b><u>14,407,772</u></b>	<b><u>17,312,335</u></b>	<b><u>4,064,777</u></b>	<b><u>16,803,195</u></b>	<b><u>20,867,972</u></b>
<b>LESS:</b>						
Contractual allowances and other deductions, primarily Medicare and Medicaid			(3,600,420)			(5,042,466)
Charity care services and other discounts, based on charges forgone			(156,308)			(174,730)
<b>NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR BAD DEBT</b>			<b>13,555,607</b>			<b>15,650,776</b>
<b>PROVISION FOR BAD DEBT</b>			<b>(382,047)</b>			<b>(491,775)</b>
<b>NET PATIENT SERVICE REVENUE</b>			<b>\$ <u>13,173,560</u></b>			<b>\$ <u>15,159,001</u></b>

See accompanying independent auditor's report

**Other Operating Revenue**  
**For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Medicaid EHR incentive	\$ 124,600	124,600
Meals sold to employees and guests	28,703	56,551
Lifeline rental	25,303	33,268
Other	15,179	35,245
Grant revenue	--	44,453
Medicare EHR incentive	--	572,969
Contract laundry services	--	145
Gain (loss) on sale of capital assets	<u>(102,689)</u>	<u>4,522</u>
	<u>\$ 91,096</u>	<u>871,753</u>

*See accompanying independent auditor's report*

Departmental Expenses  
For the Years Ended June 30, 2014 and 2013

	2014			2013 Restated		
	Salaries and Wages	Other	Total	Salaries and Wages	Other	Total
<b>NURSING SERVICES:</b>						
Medical and surgical	\$ 751,021	46,058	797,079	741,351	51,895	793,246
Operating room	262,469	426,364	688,833	289,950	584,463	874,413
Nursing administration	133,392	125,452	258,844	84,503	125,051	209,554
Emergency services	97,487	18,010	115,497	86,502	30,232	116,734
Central services and supply	59,408	9,039	68,447	55,234	12,359	67,593
	<u>1,303,777</u>	<u>624,923</u>	<u>1,928,700</u>	<u>1,257,540</u>	<u>804,000</u>	<u>2,061,540</u>
<b>OTHER PROFESSIONAL SERVICES:</b>						
Clinics	1,471,381	428,344	1,899,725	1,866,231	441,805	2,308,036
Radiology	181,269	741,271	922,540	195,616	867,642	1,063,258
Laboratory	299,917	395,197	695,114	301,388	429,822	731,210
Pharmacy	154,549	472,738	627,287	158,026	551,716	709,742
Emergency room physicians	233,112	363,726	596,838	208,428	242,060	450,488
Physical, occupational, and speech therapy	236,687	190,999	427,686	209,418	211,604	421,022
Medical records	163,210	135,295	298,505	154,843	95,347	250,190
Ambulance service	228,805	44,187	272,992	224,054	50,332	274,386
Respiratory therapy	116,322	78,364	194,686	112,572	76,765	189,337
Anesthesiology	--	130,950	130,950	--	197,990	197,990
Dialysis	42,563	35,810	78,373	206,403	217,313	423,716
Transfusion service	--	39,951	39,951	--	37,946	37,946
Physician private offices	22,242	13,364	35,606	22,723	26,433	49,156
Cardiology	15,922	6,491	22,413	19,044	6,883	25,927
	<u>3,165,979</u>	<u>3,076,687</u>	<u>6,242,666</u>	<u>3,678,746</u>	<u>3,453,658</u>	<u>7,132,404</u>
<b>GENERAL SERVICES:</b>						
Plant operation and maintenance	110,485	413,738	524,223	113,558	355,243	468,801
Dietary	134,247	73,944	208,191	156,461	79,109	235,570
Housekeeping	132,728	20,617	153,345	149,566	24,962	174,528
Laundry	25,176	12,633	37,809	21,888	13,855	35,743
	<u>402,636</u>	<u>520,932</u>	<u>923,568</u>	<u>441,473</u>	<u>473,169</u>	<u>914,642</u>
<b>ADMINISTRATIVE AND FISCAL SERVICES</b>						
Employee benefits	--	1,874,703	1,874,703	--	1,973,727	1,973,727
Administrative	476,771	1,258,839	1,735,610	465,990	1,147,592	1,613,582
	<u>476,771</u>	<u>3,133,542</u>	<u>3,610,313</u>	<u>465,990</u>	<u>3,121,319</u>	<u>3,587,309</u>
<b>NONDEPARTMENTAL:</b>						
Depreciation	--	2,270,821	2,270,821	--	2,285,529	2,285,529
Interest	--	1,333,833	1,333,833	--	1,422,655	1,422,655
	<u>--</u>	<u>3,604,654</u>	<u>3,604,654</u>	<u>--</u>	<u>3,708,184</u>	<u>3,708,184</u>
<b>TOTAL EXPENSES</b>	<b>\$ <u>5,349,163</u></b>	<b><u>10,960,738</u></b>	<b><u>16,309,901</u></b>	<b><u>5,843,749</u></b>	<b><u>11,560,330</u></b>	<b><u>17,404,079</u></b>

See accompanying independent auditor's report

**Patient Receivables and Allowance for Uncollectible Accounts  
June 30, 2014 and 2013**

Age of Accounts	2014		2013	
	Amount	Percent of Total	Amount	Percent of Total
0 - 30	\$ 1,221,507	47.90 %	1,820,506	43.05 %
31 - 60	222,979	8.74	551,699	13.05
61 - 90	189,519	7.43	413,565	9.78
91 - 120	126,671	4.97	232,047	5.49
121 and over	789,485	30.96	1,210,740	28.63
	<u>2,550,161</u>	<u>100.00 %</u>	<u>4,228,557</u>	<u>100.00 %</u>
Less:				
Allowance for uncollectible accounts	(802,000)		(834,000)	
Allowance for contractual adjustments	<u>(428,000)</u>		<u>(910,000)</u>	
	<u>\$ 1,320,161</u>		<u>2,484,557</u>	

	2014	2013
ALLOWANCE FOR DOUBTFUL ACCOUNTS:		
Balance, beginning of year	\$ 834,000	872,000
Provision of uncollectible accounts	382,047	491,775
Accounts written off	<u>(414,047)</u>	<u>(529,775)</u>
Balance, end of year	<u>\$ 802,000</u>	<u>834,000</u>

*See accompanying independent auditor's report*

**Inventory/Prepaid Expenses**  
**June 30, 2014 and 2013**

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	<u>2014</u>	<u>2013</u>
INVENTORIES:		
Medical supplies	171,921	174,426
Pharmacy	77,445	78,659
Information technology	<u>6,552</u>	<u>6,754</u>
	<u>\$ 255,918</u>	<u>259,839</u>
PREPAID EXPENSES:		
Insurance	\$ 29,310	23,843
Maintenance contracts	<u>140,289</u>	<u>61,509</u>
	<u>\$ 169,599</u>	<u>85,352</u>

*See accompanying independent auditor's report*

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

To the Board of Trustees  
Ringgold County Hospital  
Mount Ayr, 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 Ringgold County Hospital (Hospital) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated October 22, 2014.

**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 that are appropriate in the circumstances for the purpose of expressing our opinions 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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*.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

**Purpose of this Report**

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

SEIM JOHNSON, LLP.

Omaha, Nebraska,  
October 22, 2014.

# Ringgold County Hospital

## Schedule of Findings and Responses For the Year Ended June 30, 2014

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### Part I: Summary of the Independent Auditor's Results

- (a) An unmodified opinion was issued on the financial statements.
- (b) The audit did not disclose any significant deficiencies or material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

### Part II: Findings Related to the Financial Statements

#### II-A-14 *Internal control deficiencies:*

No matters were reported.

#### *Instances of Non-Compliance:*

No matters were reported.

### Part III: Other Findings Related to Required Statutory Reporting

#### III-A-14

Official Depositories: 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, 2014.

#### III-B-14

Certified Budget: Hospital disbursements during the year ended June 30, 2014 did not exceed amounts budgeted

#### III-C-14

Questionable Expenditure: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

#### III-D-14

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

#### III-E-14

Business Transactions: No business transactions between the Hospital and Hospital officials and/or employees were noted to violate Chapter 347.9A(2)(a) of the Code of Iowa which limits a trustee's pecuniary interest in the purchase or sale of any commodities or supplies procured for or disposed of by said Hospital to \$1,500 without publicly invited and opened written competitive bids.

#### III-F-14

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

## Ringgold County Hospital

### Schedule of Findings and Responses For the Year Ended June 30, 2014

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#### III-G-14

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

#### III-H-14

Publication of Bills Allowed and Salaries: Chapter 347.13(11) of the Code of Iowa states in part, "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 newspaper the schedule of salaries paid by job classification and category..." We noted no instances of noncompliance with the publication of bills allowed and salaries. The Hospital publishes a list of expenditures quarterly which are summarized by major classification and vendor. They also publish a schedule of salaries annually by category.

## **Ringgold County Hospital**

**Audit Staff  
For the Year Ended June 30, 2014**

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**This audit was performed by:**

Marty J. Dubas, FHFMA, CPA, Partner

Marcus P. Goldenstein, In-Charge

McKayla I. Anderson, Staff Auditor