

**Crawford County Memorial Hospital  
Denison, Iowa**

**FINANCIAL REPORT**

**June 30, 2015**

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**Crawford County Memorial Hospital  
OFFICIALS  
June 30, 2015**

**BOARD OF TRUSTEES**

**Expiration of term**

**Officers**

Thomas Eller, Chairman

December 31, 2020

Greg Kehl, Vice Chair/Secretary

December 31, 2018

Tom Gustafson, Treasurer

December 31, 2020

**Members**

LaVerne Ambrose

December 31, 2016

Linda Dreibelbis

December 31, 2020

Kevin Fineran

December 31, 2018

Larry Struck

December 31, 2016

**CHIEF EXECUTIVE OFFICER**

Bill Bruce

**CHIEF FINANCIAL OFFICER**

Rachel Melby

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Crawford County Memorial Hospital  
Denison, Iowa

We have audited the accompanying financial statements of Crawford County Memorial Hospital, as of and for the years ended June 30, 2015 and 2014, 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 audits 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 Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Emphasis of Matter**

As discussed in Note 14 to the financial statements, the Hospital adopted new accounting guidance related to Governmental Accounting Standards Board, GASB, Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crawford County Memorial Hospital, as of June 30, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Hospital's proportionate share of the net pension liability, and the schedule of Hospital pension contributions on page 6-13 and 34-36 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of law, 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 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.

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
September 30, 2015

## **Crawford County Memorial Hospital MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Crawford County Memorial Hospital, we offer readers of the financial statements this narrative overview and analysis of the Hospital's financial performance during the fiscal years ended June 30, 2015 and 2014. Please read it in conjunction with the Hospital's financial statements, which follow this section.

### **Overview of the Financial Statements**

This annual report includes this management's discussion and analysis, the independent auditor's reports, the basic financial statements of the Hospital, and supplementary information. The financial statements also include notes that explain in more detail some of the information in the financial statements.

### **Financial Highlights**

- Total assets decreased by \$2,713,867 to \$46,973,563
- Total assets whose use is limited decreased by \$700,782 to \$7,597,929
- Total capital assets decreased by \$3,519,919 to \$27,906,865
- Total net position decreased by \$2,985,046 to \$8,107,952
- Total long-term debt, including current maturities, decreased by \$181,969 to \$26,373,025
- Net patient service revenue increased by \$887,452, or 3%, to \$28,175,569
- Operating expenses increased by \$1,568,785, or 5%, to \$30,735,758

### **Operating and Financial Performance**

This section is intended as a written supplement to the financial information presented in the management's discussion and analysis for the fiscal years ended June 30, 2015 and 2014. While management believes the strategic discussion below fairly represents the capability of the Hospital, it should be noted that potential internal and external factors unknown at this time could impact the projections with both positive and negative trends.

### **History**

During the June 30, 2015 fiscal year, the Hospital focused on the development of services that would more fully utilize assets built into the new replacement facility. While the financial results for this year were negative, it is also of note that several extraordinary events occurred during this year which account for the entire loss as detailed in the audit. The key activities and events which make up the extraordinary expenses and lost revenue include the following:

• Former Facility Disposal	\$1,766,000
• Health Insurance Benefit Compliance	270,000
• Litigation Settlement	741,000
• Unexpected Physician Death	<u>650,000</u>
 Total	 <u>\$3,427,000</u>

The total extraordinary expenses and lost revenue indicated above exceed the net loss for the fiscal year. Management did make adjustments to mitigate the loss but the events in total exceeded the operational ability to absorb all costs through day to day management of revenue and expense. Future operational projections at the Hospital include the following:

- Will not need to absorb any additional cost due to facility disposal,
- Include budget allowance, and operational adjustment, for benefit compliance,
- Do not contemplate any similar litigation as was encountered in fiscal year 2015, and
- Do not anticipate the untimely death of another full time primary care provider.

## **Fiscal Year June 30, 2015 Strengths and Accomplishments**

For the 12 months ending June 30, 2015, prior service investments in OB/GYN, General Surgery and Orthopedic Surgery did yield increases in related service lines. These include:

- Total Outpatient Procedure increase of 5.3%
- Surgical Procedure increase of 10.0%
- Physical Therapy Procedure increase of 22.2%
- Specialty Clinic visit increase of 5.1%

Capital Investments were also made to assure ongoing access to technology. In fiscal year June 30, 2015 capital investments totaled more than \$1,000,000. These operational investments were targeted to stabilize the Hospital's ability to transition into the future healthcare industry expectations. Several key investments include the implementation of Electronic Medical Records in the clinics, the installation of a new 64 slice CT scanner, and the purchase of a new ambulance.

## **Fiscal Year June 30, 2016 Planned Actions**

While a number of extraordinary items negatively impacted this past year, actions looking forward include:

- Local "Physician Service" expansion:
  - Management has maintained outpatient volumes through the use of "locum tenens" primary care staff. At the same time recruitment efforts are expected to add 1-3 additional primary care physician providers, a second general surgeon and additional orthopedic surgery staff to assure recovery and added capacity to continue progress to increase net revenue.
  - Continued success in orthopedic services is expected, as the June 30, 2015 gross revenue related to orthopedics yielded more than \$2,450,000. Management believes that amount represents less than half of potential increase available from market demand data.
  - Renovation of the "City Center" location to enable designation as a rural health clinic is projected to increase Medicare reimbursement by approximately \$150,000 for fiscal year 2016.
- Industry Transition from volume to value response: with the enactment of the Patient Protection and Affordable Care Act (Obamacare), the Hospital has:
  - Entered into an affiliation agreement in September, 2015, which is intended to:
    - Develop the foundation for a sustainable alliance.
    - Develop medical management capabilities and infrastructure.
    - Create a delivery network composed of high-quality providers.
    - Pursue payor contracting strategies and partnerships.
    - Maximize value to the Hospital through shared services.
  - Implemented Patient and Family Services
    - Completed research on the development of expanded patient and family services functions to further integrate continuity and service access to health coach, interpreter, utilization review, skilled and acute care services.
    - Initiated discussions to further integrate clinical service affiliations with urban providers.

## **Potential Adverse Impacts**

While the future adversities are unknown, it seems likely that three strategic areas will require continued focus to insure the Hospital remains flexible to adapt to the future state. The following changes may lead to adverse impact in future years.

- Population shifts in age, employment status and economic capability.
- Payment reforms that create a negative financial impact on rural healthcare delivery systems.
- Delivery reforms from public and private sector initiatives which have potential to both increase and decrease local delivery of service due to changes in regulations directing the delivery of care.

## **Summary**

The management initiatives outlined in this document identify those programs, services and initiatives which appear at this writing to assure a future business model which achieves viability and growth of the Hospital. However, it is anticipated that these efforts will receive ongoing management and governance review to assure continued relevance to the needs of the community, regulatory compliance and integration with state and national healthcare trends.

## **Required Financial Statements**

The financial statements of the Hospital report information of the Hospital using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The statement of net position includes the Hospital's assets, liabilities, deferred outflows and deferred inflows and provides information about the nature and amounts of investments in resources, assets, and the obligations to Hospital's creditors, liabilities. It also provides the basis for evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the Hospital operations over the past year and can be used to determine whether the Hospital has successfully recovered all its costs through its patient service revenue and other revenue sources, profitability and credit worthiness.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

## **Financial Analysis of the Hospital**

The statements of net position and the statements of revenues, expenses, and changes in net position report the net position of the Hospital and the changes in them. The Hospital's net position is a way to measure financial health or financial position. Over time, sustained increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic conditions, population growth and new or changed government legislation should also be considered.

A summary of the Hospital's statements of net position is presented in Table 1.

**Table 1**  
**Condensed Statements of Net Position**

	<b>June 30</b>		
	<b>2015</b>	<b>2014</b> <b>(Not restated)</b>	<b>2013</b> <b>(Not restated)</b>
Current assets	\$11,468,769	\$ 9,961,935	\$ 9,892,474
Noncurrent assets whose use is limited	7,597,929	8,298,711	8,883,680
Capital assets	<u>27,906,865</u>	<u>31,426,784</u>	<u>31,858,313</u>
Total assets	<u>46,973,563</u>	<u>49,687,430</u>	<u>50,634,467</u>
Deferred outflows of resources	<u>2,490,343</u>	—	—
Total assets and deferred outflows of resources	<u>\$49,463,906</u>	<u>\$49,687,430</u>	<u>\$50,634,467</u>
Current liabilities	\$ 4,166,705	\$ 3,240,787	\$ 2,913,090
Noncurrent liabilities	<u>32,733,235</u>	<u>25,822,558</u>	<u>27,613,764</u>
Total liabilities	<u>36,899,940</u>	<u>29,063,345</u>	<u>30,526,854</u>
Deferred inflows of resources	<u>4,456,014</u>	<u>1,460,000</u>	—
Net investment in capital assets	2,330,497	5,666,421	5,755,500
Restricted	60,237	59,950	74,804
Unrestricted	<u>5,717,218</u>	<u>13,437,714</u>	<u>14,277,309</u>
Total net position	<u>8,107,952</u>	<u>19,164,085</u>	<u>20,107,613</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$49,463,906</u>	<u>\$49,687,430</u>	<u>\$50,634,467</u>

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2015 was restated and decreased by \$8,071,087 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal years 2013 and 2014 were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

A summary of the Hospital's historical statements of revenues, expenses, and changes in net position is presented in Table 2.

**Table 2**  
**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	<b>Year ended June 30</b>		
	<b>2015</b>	<b>2014</b> (Not restated)	<b>2013</b> (Not restated)
Net patient service revenue	\$28,175,569	\$27,288,117	\$24,402,868
Other revenue	832,161	718,198	674,943
Total revenue	<u>29,007,730</u>	<u>28,006,315</u>	<u>25,077,811</u>
Salaries	13,793,941	13,763,035	11,899,684
Supplies and expenses	13,626,781	12,290,015	10,540,115
Provision for depreciation	3,315,036	3,113,923	3,019,344
Total operating expenses	<u>30,735,758</u>	<u>29,166,973</u>	<u>25,459,143</u>
Operating (loss)	<u>(1,728,028)</u>	<u>(1,160,658)</u>	<u>(381,332)</u>
County taxes	1,489,533	1,363,506	1,285,848
Investment income	45,460	45,819	53,643
Unrestricted contributions	-	15,000	1,000
Transfer from related Foundation	119,546	11,615	152,276
Interest expense	(1,145,452)	(1,218,810)	(1,245,529)
Loss on sale of capital assets	<u>(1,766,105)</u>	<u>-</u>	<u>-</u>
Total nonoperating gains (losses)	<u>(1,257,018)</u>	<u>217,130</u>	<u>247,238</u>
Change in net position	(2,985,046)	(943,528)	(134,094)
Total net position, beginning	<u>11,092,998</u>	<u>20,107,613</u>	<u>20,241,707</u>
Total net position, ending	<u>\$ 8,107,952</u>	<u>\$19,164,085</u>	<u>\$20,107,613</u>

### Summary

The management initiatives outlined in this document identify those programs, services and initiatives which appear at this writing to assure a future business model which achieves viability and growth of the Hospital. However, it is anticipated that these efforts will receive ongoing management and governance review to assure continued relevance to the needs of the community, regulatory compliance and integration with state and national healthcare trends.

## **Operating and Financial Performance**

The following summarizes the Hospital's statements of revenues, expenses and changes in net position between June 30, 2015 and 2014.

**Net Patient Service Revenue:** Net patient service revenue is a product of volume, price increases and payor mix.

**Volume:** Medical, surgical and obstetrical discharges for fiscal year 2015 were 487 compared to 601 in fiscal year 2014. Average length of stay increased slightly as medical, surgical and obstetrical patient days decreased to 1,287 from 1,552 in 2014. Swing bed, skilled care discharges for fiscal year 2015 were 89 compared to 83 in fiscal year 2014. Average length of stay increased slightly as swing bed, skilled care patient days increased to 782 from 688 in 2014. Volume on the outpatient side indicated positive growth in 2015. In 2015, gross outpatient charges increased to \$41,259,787 compared to \$36,832,340 in 2014.

**Price Increase:** As is customary annually, the Hospital did review its charge structure and incorporated certain price increases in 2015. Overall, gross patient service revenue increased to \$46,539,010 from \$42,064,164 in 2014. Operating room, emergency service, radiology and clinics reflected the most significant growth in 2015.

**Payor Mix:** The Hospital is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. Contractual adjustments and bad debts were \$18,363,441 in 2015 compared to \$14,776,047 in 2014, representing 39 % and 35% of gross patient charges for each of the years ended June 30, 2015 and 2014, respectively.

A summary of the percentages of gross charges for patient services by payor is presented in Table 3.

**Table 3**  
**Payor Mix by Percentage**

	<u>Year ended June 30</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Medicare	38%	39%	42%
Medicaid	14	12	11
Commercial insurance	44	43	41
Patients	<u>4</u>	<u>6</u>	<u>6</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

## **Other Revenue**

Other revenue increased to \$832,161 in 2015 compared to \$718,198 in 2014, primarily due to increased retail pharmacy income.

## **Expenses**

Approximately 45% of Hospital's expenses are for salaries. Total salaries increased by 1% to \$13,793,941 in 2015 from \$13,763,035 in 2014. The most significant increase related to clinics.

Approximately 45% of Hospital's expenses are for supplies and expenses. Total supplies and expenses increased by 11% to \$13,626,781 in 2015 from \$12,290,015 in 2014. The most significant increases related to anesthesiology, fiscal and administrative service, and group health and life insurance.

Approximately 10% of Hospital's expenses relate to provision for depreciation. The provision for depreciation increased to \$3,315,036 in 2015 from \$3,113,923 in 2014.

### **Nonoperating Gains (Losses)**

Nonoperating gains (losses) decreased to \$(1,257,018) from \$217,130 in 2014, primarily due to a loss on sale of capital assets.

### **Capital Assets**

At the end of 2015, the Hospital had \$27,906,865 invested in capital assets, net of accumulated depreciation. The notes to the financial statements provide more detail of changes in property and equipment. In 2015, \$1,711,221 was spent to acquire capital assets.

A summary of the Hospital's capital assets is presented in Table 4.

**Table 4**  
**Capital Assets**

	<b>June 30</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Land	\$ 449,900	\$ 449,900	\$ 449,900
Land improvements	2,522,024	3,380,543	3,374,962
Buildings	8,103,103	11,404,548	11,389,174
Fixed equipment	17,704,881	21,100,029	21,094,603
Major movable equipment	16,806,051	15,515,357	14,382,238
Construction in progress	—	<u>1,522,894</u>	<u>—</u>
Subtotal	45,585,959	53,373,271	50,690,877
Less accumulated depreciation	<u>17,679,094</u>	<u>21,946,487</u>	<u>18,832,564</u>
Capital assets	<u>\$27,906,865</u>	<u>\$31,426,784</u>	<u>\$31,858,313</u>

### **Debt Administration**

At year end, the Hospital had \$26,373,025 in current and long-term debt related to Hospital Revenue Bonds and notes payable, equipment, a decrease of \$181,969 from 2014. More detailed information about the Hospital's outstanding long-term debt is presented in the notes to financial statements. Note that total long-term debt represents approximately 70% of the Hospital's total liabilities as of year end.

### **Deferred Outflows and Inflows of Resources**

As of June 30, 2015, the Hospital reported \$2,490,343 of deferred outflows of resources and \$4,456,014 of deferred inflows of resources. The Notes to the Financial Statements provide more detail regarding the nature and components of the deferred outflows and inflows of resources.

**Performance Compared to County Hospital Budget**

The Hospital prepares its annual County Hospital budget on the budget basis, which differs from generally accepted accounting principles, GAAP basis. More detailed information as to major differences between County Hospital budget and GAAP bases are presented in the notes to financial statements. A comparison of the Hospital's fiscal year 2015 actual budget basis financial information to its annual County Hospital budget is presented in Table 5.

**Table 5  
Actual vs Budget**

	<u>Actual budget basis</u>	<u>Annual County Hospital budget</u>	<u>Variance</u>
Amount to be raised by taxation	\$ 1,489,533	\$ 1,450,901	\$ 38,632
Other revenues/receipts	<u>27,406,631</u>	<u>32,225,883</u>	<u>(4,819,252)</u>
	28,896,164	33,676,784	(4,780,620)
Expenses/expenditures	<u>31,293,557</u>	<u>31,180,290</u>	<u>113,267</u>
Net	<u>\$ (2,397,393)</u>	<u>\$ 2,496,494</u>	<u>\$(4,893,887)</u>

Actual other revenues/receipts results were lower than County Hospital budget primarily due to decreased net patient service revenue. Expenses/expenditures were higher than County Hospital budget primarily due to increased operating expenses.

**Economic and Other Factors and Next Year's Budget**

The Hospital's board and management considered many factors when setting the fiscal year 2016 budget. Of primary importance are the market forces and environmental factors impacting healthcare such as:

- Medicare and Medicaid reimbursement rates
- Reimbursement rates of other payors
- Cost of supplies
- Growth in demand for services
- Technology advancements

**Contacting Hospital's Management**

This financial report is designed to provide users with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability. If you have questions about this report or need additional information, contact Crawford County Memorial Hospital at (712) 265-2500 or write care of: Chief Financial Officer, Crawford County Memorial Hospital, 100 Medical Parkway, Denison, Iowa 51442.

**Crawford County Memorial Hospital  
STATEMENTS OF NET POSITION**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>June 30</b>	
	<b>2015</b>	<b>2014</b>
		<b>(Not restated)</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 3,264,912	\$ 1,925,528
Patient receivables, less allowances for contractual adjustments and bad debts	5,673,546	5,596,704
Other receivables	165,888	14,717
Estimated third-party payor settlements	—	200,000
Inventories	585,097	554,622
Prepaid expenses	279,326	210,364
Succeeding year property tax receivable	<u>1,500,000</u>	<u>1,460,000</u>
Total current assets	<u>11,468,769</u>	<u>9,961,935</u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
Designated by board for plant replacement and expansion, cash and cash equivalents	6,741,035	7,444,131
Restricted for payment of long-term debt and interest, cash and cash equivalents	<u>856,894</u>	<u>854,580</u>
Total assets whose use is limited	<u>7,597,929</u>	<u>8,298,711</u>
<b>CAPITAL ASSETS</b>	45,585,959	53,373,271
Less accumulated depreciation	<u>17,679,094</u>	<u>21,946,487</u>
Total capital assets	<u>27,906,865</u>	<u>31,426,784</u>
Total assets	<u>46,973,563</u>	<u>49,687,430</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related deferred outflows	<u>2,490,343</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$49,463,906</u>	<u>\$49,687,430</u>

See Notes to Financial Statements.

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>June 30</b>	
	<u>2015</u>	<u>2014</u> (Not restated)
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 858,449	\$ 732,436
Accounts payable	2,011,951	1,138,334
Accrued employee compensation	1,157,098	1,132,202
Payroll taxes and amounts withheld from employees	46,907	143,115
Accrued interest	92,300	94,700
Total current liabilities	<u>4,166,705</u>	<u>3,240,787</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, less current maturities	25,514,576	25,822,558
Net pension liability	7,218,659	—
Total long-term liabilities	<u>32,733,235</u>	<u>25,822,558</u>
Total liabilities	<u>36,899,940</u>	<u>29,063,345</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable property tax revenue	1,500,000	1,460,000
Pension related deferred inflows	2,956,014	—
Total deferred inflows of resources	<u>4,456,014</u>	<u>1,460,000</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,330,497	5,666,421
Restricted	60,237	59,950
Unrestricted	<u>5,717,218</u>	<u>13,437,714</u>
Total net position	<u>8,107,952</u>	<u>19,164,085</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$49,463,906</u>	<u>\$49,687,430</u>

**Crawford County Memorial Hospital**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
<b>NET PATIENT SERVICE REVENUE</b> , net of provision for bad debts 2015 \$1,215,444; 2014 \$1,467,775	\$28,175,569	\$27,288,117
<b>OTHER REVENUE</b>	<u>832,161</u>	<u>718,198</u>
Total revenue	<u>29,007,730</u>	<u>28,006,315</u>
<b>EXPENSES</b>		
Nursing service	5,353,115	5,364,616
Other professional service	12,627,918	12,046,060
General service	1,470,489	1,551,712
Fiscal and administrative service and unassigned expenses	7,969,200	7,090,662
Provision for depreciation	<u>3,315,036</u>	<u>3,113,923</u>
Total operating expenses	<u>30,735,758</u>	<u>29,166,973</u>
Operating (loss)	<u>(1,728,028)</u>	<u>(1,160,658)</u>
<b>NONOPERATING GAINS (LOSSES)</b>		
County taxes	1,489,533	1,363,506
Investment income	45,460	45,819
Unrestricted contributions	119,546	15,000
Transfer from related foundation	-	11,615
Interest expense	(1,145,452)	(1,218,810)
Loss on sale of capital assets	<u>(1,766,105)</u>	<u>-</u>
Total nonoperating gains (losses)	<u>(1,257,018)</u>	<u>217,130</u>
Change in net position	<u>(2,985,046)</u>	<u>(943,528)</u>
<b>TOTAL NET POSITION</b>		
Beginning	<u>11,092,998</u>	<u>20,107,613</u>
Ending	<u>\$ 8,107,952</u>	<u>\$19,164,085</u>

**Crawford County Memorial Hospital  
STATEMENTS OF CASH FLOWS**

	<b>Year ended June 30</b>	
	<b>2015</b>	<b>2014</b>
		<b>(Not restated)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from patients and third-party payors	\$28,298,727	\$26,689,745
Cash paid to suppliers for goods and services	(13,486,737)	(12,221,272)
Cash paid to employees for services	(13,769,045)	(13,622,285)
Other operating revenue received	832,161	718,198
Net cash and cash equivalents provided by operating activities	1,875,106	1,564,386
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
County taxes	1,489,533	1,363,506
Contributions received	119,546	15,000
Transfer from related foundation	-	11,615
Net cash and cash equivalents provided by noncapital financing activities	1,609,079	1,390,121
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from issuance of long-term debt	595,121	333,206
Principal payments on long-term debt	(777,090)	(674,821)
Interest paid on long-term debt	(1,147,852)	(1,226,610)
Acquisition of capital assets	(1,561,222)	(2,682,394)
Net cash and cash equivalents (used in) capital and related financing activities	(2,891,043)	(4,250,619)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	45,460	45,819
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	638,602	(1,250,293)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	10,224,239	11,474,532
Ending	\$10,862,841	\$10,224,239

**Crawford County Memorial Hospital  
STATEMENTS OF CASH FLOWS (continued)**

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES</b>		
Operating (loss)	\$ (1,728,028)	\$ (1,160,658)
Adjustments to reconcile operating (loss) to net cash and cash equivalents provided by operating activities		
Depreciation	3,315,036	3,113,923
Changes in assets, liabilities, deferred outflows and deferred inflows		
(Increase) in patient receivables	(76,842)	(1,098,372)
(Increase) decrease in other receivables	(151,171)	6
Decrease in net estimated third-party payor settlements	200,000	500,000
(Increase) in inventories	(30,475)	(116,835)
(Increase) decrease in prepaid expenses	(68,962)	80,416
(Increase) in pension related deferred outflows	(1,343,003)	-
Increase in accounts payable	873,617	82,555
Increase in accrued employee compensation	24,896	140,750
Increase (decrease) in payroll taxes and amounts withheld from employees	(96,208)	22,601
(Decrease) in net pension liability	(1,999,768)	-
Increase in pension related deferred inflows	<u>2,956,014</u>	<u>-</u>
Net cash and cash equivalents provided by operating activities	<u>\$ 1,875,106</u>	<u>\$ 1,564,386</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO THE STATEMENTS OF NET POSITION</b>		
Per statements of net position		
Current assets, cash	\$ 3,264,912	\$ 1,925,528
Assets whose use is limited		
Designated by board for plant replacement and expansion, cash and cash equivalents	6,741,035	7,444,131
Restricted for payment of long-term debt and interest, cash and cash equivalents	<u>856,894</u>	<u>854,580</u>
Total per statements of cash flows	<u>\$10,862,841</u>	<u>\$10,224,239</u>

See Notes to Financial Statements.

**Crawford County Memorial Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

The Hospital is a county public hospital organized under Chapter 347, Code of Iowa, not subject to taxes on income or property and receives tax support from Crawford County, Iowa. The Hospital is governed by a seven member Board of Trustees elected for terms of six years.

**Reporting Entity**

For financial reporting purposes, the Hospital has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. 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. These criteria also include organizations that are fiscally dependent on the Hospital. The Hospital has no component units which meet the Governmental Accounting Standards Board criteria.

**Measurement Focus and Basis of Accounting**

The Hospital is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Hospital is better or worse off economically as a result of events and transactions of the period.

The financial statements have been prepared in accordance with accounting principles which are applicable to health care proprietary funds of a governmental entity. The Hospital uses the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

**Accounting Standards**

The Hospital has elected to apply all applicable Governmental Accounting Standards Board pronouncements.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash and all certificates of deposit.

**Inventories**

Inventories are stated at cost, based on the first-in, first-out method.

**Succeeding Year Property Tax Receivable**

The succeeding year 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. This 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 the 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.

**Crawford County Memorial Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Capital Assets**

Capital asset acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. The range of estimated useful lives applied by the Hospital is three to forty years.

**Net Pension Liability**

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

**Deferred Outflows of Resources**

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

**Deferred Inflows of Resources**

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

**Net Position**

Net position is presented in the following three components:

**Net investment in capital assets**

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of long-term debt that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted**

Restricted net position consists of funds on which constraints have been externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws or regulations of other governments.

**Unrestricted**

Unrestricted net position has no externally imposed restrictions on use.

**Crawford County Memorial Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

**Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Revenues, Expenses, and Changes in Net Position**

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

**Investment Income**

The Hospital has nonnegotiable certificates of deposit recorded at cost. The nonnegotiable certificates of deposit are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors. Investment income is reported as nonoperating gains.

**Credit Policy**

The Hospital grants credit to patients, substantially all of whom are residents of the County.

**Accounting Estimates and Assumptions**

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

**Reclassifications**

Certain amounts have been reclassified in the 2014 financial statements in order to conform with the 2015 presentation, with no effect on the change in net position.

**Crawford County Memorial Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 CASH AND CASH EQUIVALENTS**

The Hospital's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance, collateralized securities, or by 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.

As to interest rate risk, the Hospital's investment policy limits the investment of operating funds in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

**NOTE 3 PATIENT RECEIVABLES**

Patient receivables reported as current assets consisted of amounts from certain payors as follows:

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Medicare	\$2,014,220	\$2,052,290
Medicaid	1,081,743	876,321
Commercial insurance	2,873,209	2,821,806
Patients	<u>2,124,374</u>	<u>2,166,287</u>
Total patient receivables	8,093,546	7,916,704
Less allowances for contractual adjustments and bad debts	<u>(2,420,000)</u>	<u>(2,320,000)</u>
Net patient receivables	<u>\$5,673,546</u>	<u>\$5,596,704</u>

**NOTE 4 ASSETS WHOSE USE IS LIMITED**

Assets whose use is limited restricted for payment of long-term debt and interest are as follows for the year ended June 30, 2015:

	<u>Interest Funds</u>	<u>Reserve Fund</u>	<u>Total</u>
Balance, beginning of year	\$ 59,949	\$ 794,631	\$ 854,580
Transfer from current assets, cash	1,797,636	-	1,797,636
Interest earned	15	2,026	2,041
Principal and interest payments	<u>(1,797,363)</u>	<u>-</u>	<u>(1,797,363)</u>
Balance, end of year	<u>\$ 60,237</u>	<u>\$ 796,657</u>	<u>\$ 856,894</u>

**Crawford County Memorial Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 CAPITAL ASSETS**

A summary of capital assets and related accumulated depreciation follows:

	<u>June 30, 2015</u>		<u>June 30, 2014</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 449,900	\$ -	\$ 449,900	\$ -
Land improvements	2,522,024	673,530	3,380,543	1,008,952
Buildings	8,103,103	777,994	11,404,548	4,163,799
Fixed equipment	17,704,881	4,551,668	21,100,029	6,587,992
Major movable equipment	16,806,051	11,675,902	15,515,357	10,185,744
Construction in progress	<u>-</u>	<u>-</u>	<u>1,522,894</u>	<u>-</u>
Totals	<u>\$45,585,959</u>	<u>\$17,679,094</u>	<u>\$53,373,271</u>	<u>\$21,946,487</u>

A summary of changes in capital assets for the year ended June 30, 2015 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 449,900	\$ -	\$ -	\$ -	\$ 449,900
Land improvements	3,380,543	4,616	-	863,135	2,522,024
Buildings	11,404,548	-	1,890,143	5,191,588	8,103,103
Fixed equipment	21,100,029	25,270	-	3,420,418	17,704,881
Major movable equipment	15,515,357	1,314,086	-	23,392	16,806,051
Construction in progress	<u>1,522,894</u>	<u>367,249</u>	<u>(1,890,143)</u>	<u>-</u>	<u>-</u>
Totals	53,373,271	1,711,221	-	9,498,533	45,585,959
Less accumulated depreciation	<u>(21,946,487)</u>	<u>(3,315,036)</u>	<u>-</u>	<u>(7,582,429)</u>	<u>(17,679,094)</u>
Net capital assets	<u>\$31,426,784</u>	<u>\$(1,603,815)</u>	<u>\$ -</u>	<u>\$1,916,104</u>	<u>\$27,906,865</u>

Construction in progress at June 30, 2014 consisted of costs relative to the Hospital's rural health clinic expansion project. During the year ended June 30, 2015, the Hospital completed the project and capitalized costs in the amount of \$1,890,143. The project was funded by Hospital cash reserves.

A summary of changes in capital assets for the year ended June 30, 2014 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 449,900	\$ -	\$ -	\$ 449,900
Land improvements	3,374,962	5,581	-	3,380,543
Buildings	11,389,174	15,374	-	11,404,548
Fixed equipment	21,094,603	5,426	-	21,100,029
Major movable equipment	14,382,238	1,133,119	-	15,515,357
Construction in progress	<u>-</u>	<u>1,522,894</u>	<u>-</u>	<u>1,522,894</u>
Totals	50,690,877	2,682,394	-	53,373,271
Less accumulated depreciation	<u>(18,832,564)</u>	<u>(3,113,923)</u>	<u>-</u>	<u>(21,946,487)</u>
Net capital assets	<u>\$31,858,313</u>	<u>\$(431,529)</u>	<u>\$ -</u>	<u>\$31,426,784</u>

**Crawford County Memorial Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 LONG-TERM DEBT**

Long-term debt is summarized as follows:

	<b>Year ended June 30</b>	
	<b>2015</b>	<b>2014</b>
Hospital Revenue Refunding Bonds, Series 2009A	\$ 8,815,000	\$ 9,070,000
Hospital Revenue Bonds, Series 2009B	1,677,008	1,718,376
Hospital Revenue Bonds, Series 2009D	15,093,074	15,465,388
Notes payable, equipment	787,943	301,230
	26,373,025	26,554,994
Less current maturities	858,449	732,436
Long-term debt, net of current maturities	<b>\$25,514,576</b>	<b>\$25,822,558</b>

**Hospital Revenue Refunding Bonds, Series 2009A**

The Hospital has issued Hospital Revenue Refunding Bonds, Series 2009A in the original amount of \$10,000,000. The Bonds are payable solely from future revenues of the Hospital and are due serially each June 1 through 2034, at remaining interest rates ranging from 4.8% to 6.4%. At June 30, 2015, the remaining balance on these Bonds is \$8,815,000. In addition, the Bonds require a Reserve Fund be maintained at a minimum level of \$791,890.

The amounts set aside as assets whose use is limited for payment of long-term debt and interest meet the requirements of the Bonds at June 30, 2015.

The Bonds contain a number of covenants regarding the operation of the Hospital, and the Hospital is in substantial compliance with those covenants.

**Hospital Revenue Bonds, Series 2009B**

The Hospital has issued Hospital Revenue Bonds, Series 2009B in the original amount of \$1,815,000. The Bonds are payable solely from future revenues of the Hospital and require monthly payments of \$8,985, including interest at 3.91%, with the final payment due June, 2039. The interest rate is variable and the Bonds stipulate the rate will reset initially December, 2021 then every five years following. At those dates, the interest rate will be set using a defined interest rate index. At June 30, 2015, the remaining balance on these Bonds is \$1,677,008.

The Bonds contain a number of covenants regarding the operation of the Hospital, and the Hospital is in substantial compliance with those covenants.

**Hospital Revenue Bonds, Series 2009D**

The Hospital has issued Hospital Revenue Bonds, Series 2009D in the amount of \$16,335,000. The Bonds are payable solely from future revenues of the Hospital and require monthly payments of 80,865 including interest at 3.91%, with the final payment due June, 2039. The interest rate is variable and the Bonds stipulate the rate will reset initially December, 2021 then every five years following. At those dates, the interest rate will be set using a defined interest rate index. At June 30, 2015 the remaining balance on these Bonds is \$15,093,074.

The Bonds contain a number of covenants regarding the operation of the Hospital, and the Hospital is in substantial compliance with those covenants.

**Crawford County Memorial Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 LONG-TERM DEBT (continued)**

**Notes Payable, Equipment**

The Hospital has a note agreement to finance the purchase of certain equipment. The note requires a monthly payment of \$5,937, including interest at 2.75%, with the final payment due December, 2018. The note is collateralized by the equipment purchased by the Hospital. At June 30, 2015, the remaining balance on this note is \$237,463.

The Hospital has a second note agreement to finance the purchase of certain equipment. The note requires a monthly payment of \$9,137, including interest at 3.25%, with the final payment due December, 2020. The note is collateralized by the equipment purchased by the Hospital. At June 30, 2015, the remaining balance on this note is \$550,480.

Each note agreement includes a provision allowing the Hospital to terminate the note in the event no funds or insufficient funds are appropriated or budgeted to make all payments for a subsequent fiscal period. This option must be exercised by the Hospital sixty days prior to the end of a fiscal period to allow for proper termination of the Notes. Consequently, these obligations do not constitute indebtedness of the Hospital under the laws of the State of Iowa, however, generally accepted accounting principles require the assets and liabilities to be recorded on the balance sheet at June 30, 2015.

As to the above Bonds, Series 2009A, 2009B and 2009D, the Hospital has pledged all future revenues, net of certain operating expenses, to repay the principal and interest. The Bonds were issued to finance capital improvements of the Hospital. The net revenues are pledged through June, 2039. As of June 30, 2015 the remaining principal and interest on the Series Bonds was \$40,981,288. The following is a comparison of the pledged net revenues and the principal and interest requirements of the Notes for the years ended June 30, 2015 and 2014:

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Change in net position	\$(2,985,046)	\$ (943,528)
Provision for depreciation	3,315,036	3,113,923
Interest expense on the Bonds	<u>1,126,355</u>	<u>1,215,142</u>
 Pledged net revenues	 <u>\$1,456,345</u>	 <u>\$3,385,537</u>
Principal and interest requirements		
Hospital Revenue Refunding Bonds, Series 2009A	\$ 719,157	\$ 787,610
Hospital Revenue Bonds, Series 2009B	107,821	107,821
Hospital Revenue Bonds, Series 2009D	<u>970,385</u>	<u>970,385</u>
 Totals	 <u>\$1,797,363</u>	 <u>\$1,865,816</u>

**Crawford County Memorial Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 LONG-TERM DEBT (continued)**

Aggregate maturities required on long-term debt are as follows:

<u>Year ending June 30</u>	<u>Revenue Bonds</u>			<u>Notes payable, equipment</u>	<u>Total principal</u>	<u>Interest</u>	<u>Total</u>
	<u>Series 2009A</u>	<u>Series 2009B</u>	<u>Series 2009D</u>				
2016	\$ 270,000	\$ 43,015	\$ 387,135	\$ 158,299	\$ 858,449	\$ 1,123,070	\$ 1,981,519
2017	280,000	44,728	402,546	163,254	890,528	1,088,030	1,978,558
2018	295,000	46,508	418,571	168,364	928,443	1,051,116	1,979,559
2019	310,000	48,359	435,234	137,808	931,401	1,011,886	1,943,287
2020	330,000	50,284	452,560	105,925	938,769	971,860	1,910,629
2021-2025	1,965,000	283,090	2,547,812	54,293	4,850,195	4,206,393	9,056,588
2026-2030	2,630,000	344,105	3,096,948	—	6,071,053	3,351,885	9,422,938
2031-2035	2,735,000	418,271	3,764,440	—	6,917,711	2,329,845	9,247,556
2036-2039	—	398,648	3,587,828	—	3,986,476	326,348	4,312,824
Totals	8,815,000	1,677,008	15,093,074	787,943	26,373,025	15,460,433	41,833,458
Less current maturities	270,000	43,015	387,135	158,299	858,449	1,123,070	1,981,519
Total long-term debt	<u>\$8,545,000</u>	<u>\$1,633,993</u>	<u>\$14,705,939</u>	<u>\$ 629,644</u>	<u>\$25,514,576</u>	<u>\$14,337,363</u>	<u>\$39,851,939</u>

A summary of changes in long-term debt for the year ended June 30, 2015 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Hospital Revenue Refunding Bonds, Series 2009A	\$ 9,070,000	\$ —	\$ 255,000	\$ 8,815,000	\$ 270,000
Hospital Revenue Bonds, Series 2009B	1,718,376	—	41,368	1,677,008	43,015
Hospital Revenue Bonds, Series 2009D	15,465,388	—	372,314	15,093,074	387,135
Notes payable, equipment	301,230	595,121	108,408	787,943	158,299
Totals	<u>\$26,554,994</u>	<u>\$ 595,121</u>	<u>\$ 777,090</u>	<u>\$26,373,025</u>	<u>\$ 858,449</u>

A summary of changes in long-term debt for the year ended June 30, 2014 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Hospital Revenue Refunding Bonds, Series 2009A	\$ 9,315,000	\$ —	\$ 245,000	\$ 9,070,000	\$ 255,000
Hospital Revenue Bonds, Series 2009B	1,758,161	—	39,785	1,718,376	41,368
Hospital Revenue Bonds, Series 2009D	15,823,448	—	358,060	15,465,388	372,314
Note payable, equipment	—	333,206	31,976	301,230	63,754
Totals	<u>\$26,896,609</u>	<u>\$ 333,206</u>	<u>\$ 674,821</u>	<u>\$26,554,994</u>	<u>\$ 732,436</u>

**Crawford County Memorial Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 NET PATIENT SERVICE REVENUE**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

**Medicare and Medicaid**

The Hospital is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. The Hospital's classification of patients under the programs and the appropriateness of their admission are subject to an independent review by peer review organizations. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through the period ended June 30, 2013.

**Other**

The Hospital has payment agreements with Blue Cross and other commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

**NOTE 8 CHARITY CARE**

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2015 and 2014.

	<b>2015</b>	<b>2014</b>
Charges foregone, based on established rates	\$ <u>247,416</u>	\$ <u>466,579</u>
Equivalent percentage of charity care patients to all patients served	<u>0.5%</u>	<u>1.1%</u>

**NOTE 9 MALPRACTICE CLAIMS**

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Coverage limits are \$1,000,000 per claim and \$3,000,000 in the aggregate.

The Hospital is from time to time subject to claims and suits alleging malpractice. In the opinion of management, the ultimate cost, if any, related to the resolution of such pending legal proceedings will be within the limits of insurance coverage and, accordingly, will not have a significant effect on the financial position or the results of operations of the Hospital.

Incidents occurring through June 30, 2015 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

**Crawford County Memorial Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 PENSION PLAN**

**Plan Description**

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

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

**Pension Benefits**

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

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

Protection occupation members may retire at normal retirement age which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.5% for each month that the member receives benefits before age 65.

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

**Disability and Death Benefits**

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

**Crawford County Memorial Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 PENSION PLAN (continued)**

**Contributions**

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the entry age normal actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30 year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the Hospital contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.76% of pay and the Hospital contributed 10.14% for a total rate of 16.9%.

The Hospital's contributions to IPERS for the years ended June 30, 2015 and 2014 were \$1,169,062 and \$1,207,069, respectively.

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

At June 30, 2015, the Hospital reported a liability of \$7,218,659 for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the Hospital's proportionate share:

	June 30		Change
	2014	2013	
Hospital's proportionate share	0.182018%	0.160553%	0.021465%

For the year ended June 30, 2015, the Hospital recognized pension expense of \$782,305. At June 30, 2015, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 66,664	\$ —
Change in assumptions	324,823	—
Net difference between projected and actual earnings on pension plan investments	—	2,956,014
Change in proportion and difference between Hospital contributions and proportionate share of contributions	929,794	—
Hospital contributions subsequent to the measurement date	<u>1,169,062</u>	<u>—</u>
Totals	<u>\$2,490,343</u>	<u>\$2,956,014</u>

**Crawford County Memorial Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 PENSION PLAN (continued)**

The \$1,169,062 reported as deferred outflows of resources related to pensions resulting from the Hospital contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Regular Members</u>	<u>Protection Occupation</u>	<u>Total</u>
2016	\$ (389,326)	\$ (40,968)	\$ (430,294)
2017	(389,326)	(40,968)	(430,294)
2018	(389,326)	(40,968)	(430,294)
2019	(389,325)	(40,967)	(430,292)
2020	<u>87,672</u>	<u>(1,231)</u>	<u>86,441</u>
Totals	\$ <u>(1,469,631)</u>	\$ <u>(165,102)</u>	\$ <u>(1,634,733)</u>

There were no nonemployer contributing entities at IPERS.

**Actuarial Assumptions**

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3%
Salary increases (effective June 30, 2014)	4%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

**Crawford County Memorial Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 PENSION PLAN (continued)**

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	23%	6.31%
Non U.S. Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u>100%</u>	

**Discount Rate**

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

**Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Hospital's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.5%) or 1% point higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Hospital's proportionate share of the net pension liability	<u>\$14,077,530</u>	<u>\$7,218,659</u>	<u>\$1,429,510</u>

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Crawford County Memorial Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 PENSION PLAN (continued)**

**Payables to the Pension Plan**

At June 30, 2015, the Hospital reported payables to the defined benefit pension plan of approximately \$29,000 for legally required employer contributions and \$-0- for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS**

The Hospital has implemented Governmental Accounting Standards Board, GASB, Statement No. 45, Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions. An actuarial valuation has been performed and the other post employment benefit has been judged by management to be immaterial to the financial statements.

**NOTE 12 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING**

In accordance with the Code of Iowa, the Board of Trustees annually adopts a County Hospital budget for all funds following required public notice and hearings. The annual County Hospital budget may be amended during the year utilizing similar statutorily prescribed procedures. The Hospital prepares its annual County Hospital budget on a budget basis, which differs from generally accepted accounting principles, GAAP basis. The major differences between County Hospital budget and GAAP bases are that depreciation is not recorded as an expenditure on the County Hospital budget basis and capital expenditures and debt service proceeds and payments are recorded on the County Hospital budget basis. Also, IPERS pension contributions are recorded on the budget basis, while IPERS pension expense is recorded on the GAAP basis.

For the year ended June 30, 2015, the following is a comparison of reported amounts to the County Hospital budget:

	<u>GAAP basis</u>	<u>Budget basis adjustments</u>	<u>Budget basis</u>	<u>County Hospital Budget</u>
Amount to be raised by taxation	\$ 1,489,533	\$ -	\$ 1,489,533	\$ 1,450,901
Other revenues/receipts	<u>26,261,179</u>	<u>1,145,452</u>	<u>27,406,631</u>	<u>32,225,883</u>
	27,750,712	1,145,452	28,896,164	33,676,784
Expenses/expenditures	<u>30,735,758</u>	<u>557,799</u>	<u>31,293,557</u>	<u>31,180,290</u>
Net	(2,985,046)	587,653	(2,397,393)	2,496,494
Balance, beginning	<u>11,092,998</u>	<u>(2,978,387)</u>	<u>8,114,611</u>	<u>19,083,846</u>
Balance, ending	<u>\$ 8,107,952</u>	<u>\$(2,390,734)</u>	<u>\$ 5,717,218</u>	<u>\$21,580,340</u>

**NOTE 13 RISK MANAGEMENT**

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

**Crawford County Memorial Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 ACCOUNTING CHANGE/RESTATEMENT**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for the fiscal year ended June 30, 2015 was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<b><u>Net position</u></b>
Net position June 30, 2014, as previously reported	\$19,164,085
Net pension liability at June 30, 2014	(9,218,427)
Deferred outflows of resources related to contributions made After the July 30, 2013 measurement date	<u>1,147,340</u>
Net position July 1, 2014, as restated	<u>\$11,092,998</u>

**Crawford County Memorial Hospital**  
**SCHEDULE OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Iowa Public Employees' Retirement System**  
**Required Supplementary Information**

	<u><b>June 30</b></u> <u><b>2015</b></u>
Hospital's proportion of the net pension liability	0.182018%
Hospital's proportionate share of the net pension liability	\$7,218,659
Hospital's total payroll	\$13,793,941
Hospital's proportionate share of the net pension liability as a % of its covered-employee payroll	52%
Plan fiduciary net position as a % of the total pension liability	88%

See accompanying notes to required supplementary information - pension liability.

**Crawford County Memorial Hospital  
SCHEDULE OF HOSPITAL PENSION CONTRIBUTIONS  
Iowa Public Employees' Retirement System  
Required Supplementary Information**

	<b>Year ended June 30</b>			
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Statutorily required contribution	\$ 1,169,062	\$ 1,207,069	\$ 984,729	\$ 900,074
Contributions in relation to the statutorily required contribution	<u>1,169,062</u>	<u>1,207,069</u>	<u>984,729</u>	<u>900,074</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Hospital's total payroll	\$13,793,941	\$13,763,035	\$11,899,684	\$11,520,786
Contributions as a percentage of total payroll	8.5%	8.8%	8.3%	7.8%

See accompanying notes to required supplementary information - pension liability.

<b>Year ended June 30</b>					
<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
\$ 745,843	\$ 656,392	\$ 531,428	\$ 452,747	\$ 415,977	\$ 372,378
<u>745,843</u>	<u>656,392</u>	<u>531,428</u>	<u>452,747</u>	<u>415,977</u>	<u>372,378</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$11,361,626	\$10,443,831	\$ 8,997,613	\$ 7,826,258	\$ 7,513,958	\$ 6,772,831
6.6%	6.3%	5.9%	5.8%	5.6%	5.5%

**Crawford County Memorial Hospital**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY**  
**Year ended June 30, 2015**

**CHANGES OF BENEFIT TERMS**

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1, beginning in 2004, until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

**CHANGES OF ASSUMPTIONS**

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

- Decreased the inflation assumption from 3.25% to 3%.
- Decreased the assumed rate of interest on member accounts from 4% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.



## INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees  
Crawford County Memorial Hospital  
Denison, Iowa

We have audited the financial statements of Crawford County Memorial Hospital as of and for the years ended June 30, 2015 and 2014, and have issued our report thereon dated September 30, 2015, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Denman & Company, LLP*  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
September 30, 2015

**Crawford County Memorial Hospital  
ANALYSIS OF PATIENT RECEIVABLES**

<u>Age of accounts (by date of discharge)</u>	<u>Amounts</u>		<u>Percent to total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
0 - 30 days (includes patients in Hospital at end of year)	\$2,889,303	\$3,117,643	35.70%	39.38%
31 - 60 days	1,661,106	1,473,374	20.52	18.61
61 - 90 days	844,374	776,860	10.43	9.81
91 - 150 days	906,900	952,797	11.21	12.04
Over 150 days	<u>1,791,863</u>	<u>1,596,030</u>	<u>22.14</u>	<u>20.16</u>
Totals	<u>8,093,546</u>	<u>7,916,704</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	980,000	980,000		
Medicaid	320,000	280,000		
Other	486,000	460,000		
Bad debts	<u>640,000</u>	<u>600,000</u>		
Total allowances	<u>2,420,000</u>	<u>2,320,000</u>		
Totals	<u>\$5,673,546</u>	<u>\$5,596,704</u>		
<b>NET PATIENT SERVICE REVENUE PER CALENDAR DAY</b>	<u>\$ 77,193</u>	<u>\$ 74,762</u>		
<b>NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES</b>	<u>73</u>	<u>75</u>		

**ANALYSIS OF ALLOWANCE FOR BAD DEBTS**

	<u>Amounts</u>		<u>Percent of net patient service revenue</u>	
	<u>Year ended June 30</u>		<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>BALANCE</b> , beginning	\$ 600,000	\$ 460,000		
<b>ADD</b>				
Provision for bad debts	1,215,444	1,467,775	4.31%	5.38%
Recoveries of accounts previously written off	<u>397,132</u>	<u>511,418</u>	1.41	1.87
	2,212,576	2,439,193		
<b>DEDUCT</b>				
Accounts written off	<u>1,572,576</u>	<u>1,839,193</u>	5.58	6.74
<b>BALANCE</b> , ending	<u>\$ 640,000</u>	<u>\$ 600,000</u>		

**Crawford County Memorial Hospital**  
**PATIENT SERVICE REVENUE**  
Year ended June 30, 2015, with comparative totals for 2014

	<u>2015</u>			<u>2014</u>
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
<b>DAILY PATIENT SERVICES</b>				
Medical, surgical and obstetrical	\$1,628,399	\$ -	\$ 1,628,399	\$ 1,971,443
Swing bed	269,480	-	269,480	205,905
Nursery	129,677	-	129,677	120,064
	<u>2,027,556</u>	<u>-</u>	<u>2,027,556</u>	<u>2,297,412</u>
<b>OTHER NURSING SERVICES</b>				
Operating room	1,046,306	4,676,175	5,722,481	4,722,764
Recovery room	69,727	676,555	746,282	674,070
Delivery room	160,626	-	160,626	219,110
Emergency service	85,047	3,766,315	3,851,362	3,322,925
Observation room	-	586,974	586,974	466,367
Same day surgery	-	429,892	429,892	439,215
	<u>1,361,706</u>	<u>10,135,911</u>	<u>11,497,617</u>	<u>9,844,451</u>
<b>OTHER PROFESSIONAL SERVICES</b>				
Laboratory	484,978	5,678,507	6,163,485	5,871,660
Electrocardiology	15,918	396,273	412,191	376,147
Radiology	63,177	2,772,149	2,835,326	2,413,175
CT scans	65,588	2,430,609	2,496,197	2,208,307
MRI	64,671	2,437,492	2,502,163	2,144,547
Ultrasound	52,233	1,698,912	1,751,145	1,598,778
Pharmacy	505,700	2,468,354	2,974,054	2,891,025
Oncology	220	149,139	149,359	162,176
Anesthesiology	212,690	655,286	867,976	784,710
Respiratory therapy	366,271	645,726	1,011,997	800,373
Cardiac rehabilitation	-	177,546	177,546	129,300
Ambulance	87,408	1,168,809	1,256,217	1,232,951
Physical therapy	158,534	1,487,258	1,645,792	1,331,843
Occupational therapy	35,153	183,974	219,127	159,807
Speech therapy	24,836	48,210	73,046	69,851
Clinics	-	8,725,632	8,725,632	8,214,230
	<u>2,137,377</u>	<u>31,123,876</u>	<u>33,261,253</u>	<u>30,388,880</u>
Totals	<u>\$5,526,639</u>	<u>\$41,259,787</u>	46,786,426	42,530,743
Charity care charges foregone, based on established rates			(247,416)	(466,579)
Total gross patient service revenue			46,539,010	42,064,164
Provisions for contractual adjustments and bad debts			(18,363,441)	(14,776,047)
Total net patient service revenue			<u>\$28,175,569</u>	<u>\$27,288,117</u>

**Crawford County Memorial Hospital  
PROVISIONS FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBTS**

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Contractual adjustments		
Medicare	\$ 7,307,761	\$ 6,256,205
Medicaid	2,071,461	1,302,772
Other adjustments	7,768,775	5,749,295
Provision for bad debts	<u>1,215,444</u>	<u>1,467,775</u>
 Totals	 <u>\$18,363,441</u>	 <u>\$14,776,047</u>

**OTHER REVENUE**

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Electronic health records meaningful use incentive revenue	\$ (91,854)	\$ 137,741
Cafeteria	69,445	71,970
Rental income	57,247	70,764
Retail pharmacy	377,432	191,776
Sale of supplies and drugs	5,062	3,179
Wellness	47,687	51,011
Lifeline	76,086	24,412
Miscellaneous	<u>291,056</u>	<u>167,345</u>
 Totals	 <u>\$ 832,161</u>	 <u>\$ 718,198</u>

**Crawford County Memorial Hospital**  
**EXPENSES**  
Year ended June 30, 2015, with comparative totals for 2014

	<b>2015</b>			<b>2014</b>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
<b>NURSING SERVICE</b>				
Nursing administration	\$ 112,046	\$ 61,258	\$ 173,304	\$ 133,442
Medical and surgical	1,007,689	75,052	1,082,741	1,176,032
Obstetrical	176,682	153,938	330,620	308,081
Nursery	48,458	7,320	55,778	94,452
Operating room	447,408	943,819	1,391,227	1,319,892
Recovery room	28,108	34	28,142	30,661
Delivery room	35,695	4,829	40,524	49,464
Emergency and outpatient service	848,400	1,402,379	2,250,779	2,252,592
Total nursing service	<u>2,704,486</u>	<u>2,648,629</u>	<u>5,353,115</u>	<u>5,364,616</u>
<b>OTHER PROFESSIONAL SERVICE</b>				
Laboratory	411,419	780,947	1,192,366	1,168,130
Electrocardiology	54,631	4,037	58,668	61,496
Radiology	372,374	313,173	685,547	647,917
CT scans	-	79,168	79,168	122,742
MRI	-	123,694	123,694	122,643
Ultrasound	146,816	28,841	175,657	169,195
Pharmacy	321,736	706,380	1,028,116	945,731
Oncology	13,932	97,762	111,694	143,720
Anesthesiology	297,531	457,136	754,667	630,873
Respiratory therapy	111,982	119,683	231,665	217,694
Cardiac rehabilitation	55,335	1,199	56,534	55,884
Ambulance	298,167	89,919	388,086	385,586
Physical therapy	461,884	20,574	482,458	539,182
Occupational therapy	45,864	1,008	46,872	41,768
Speech therapy	-	30,297	30,297	28,046
Clinics	5,168,336	1,295,361	6,463,697	6,084,060
Health information management	446,624	61,760	508,384	484,507
Quality assurance	118,394	6,743	125,137	111,437
Utilization review	84,668	543	85,211	85,449
Total other professional service	<u>8,409,693</u>	<u>4,218,225</u>	<u>12,627,918</u>	<u>12,046,060</u>
<b>GENERAL SERVICE</b>				
Dietary	314,511	134,710	449,221	516,153
Plant engineering	313,953	390,757	704,710	709,716
Housekeeping	218,853	40,984	259,837	261,401
Laundry	-	56,721	56,721	64,442
Total general service	<u>847,317</u>	<u>623,172</u>	<u>1,470,489</u>	<u>1,551,712</u>

**Crawford County Memorial Hospital**  
**EXPENSES (continued)**  
Year ended June 30, 2015, with comparative totals for 2014

	<u>2015</u>			<u>2014</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
<b>FISCAL AND ADMINISTRATIVE SERVICE AND UNASSIGNED EXPENSES</b>				
Fiscal and administrative service	\$ 1,832,445	\$ 2,386,481	\$ 4,218,926	\$ 3,375,626
FICA	-	871,891	871,891	882,532
IPERS	-	782,305	782,305	1,207,069
Group health and life insurance	-	1,687,549	1,687,549	1,193,992
Insurance	-	408,529	408,529	431,443
Total fiscal and administrative service and unassigned expenses	<u>1,832,445</u>	<u>6,136,755</u>	<u>7,969,200</u>	<u>7,090,662</u>
<b>PROVISION FOR DEPRECIATION</b>	<u>-</u>	<u>3,315,036</u>	<u>3,315,036</u>	<u>3,113,923</u>
Total expenses	<u>\$13,793,941</u>	<u>\$16,941,817</u>	<u>\$30,735,758</u>	<u>\$29,166,973</u>

**Crawford County Memorial Hospital  
STATISTICS**

	<b>Year ended June 30</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>PATIENT DAYS</b>		
Medical, surgical and obstetrical	1,287	1,552
Swing bed		
Skilled care	782	688
Intermediate care	101	77
Nursery	<u>241</u>	<u>337</u>
Totals	<u>2,411</u>	<u>2,654</u>
<b>DISCHARGES</b>		
Medical, surgical and obstetrical	487	601
Swing bed		
Skilled care	89	83
Intermediate care	20	25
Nursery	<u>124</u>	<u>172</u>
Totals	<u>720</u>	<u>881</u>
<b>AVERAGE LENGTH OF STAY</b>		
Medical, surgical and obstetrical	2.64	2.58
Swing bed		
Skilled care	8.79	8.29
Intermediate care	5.05	3.08
Nursery	1.94	1.96



**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**

Board of Trustees  
Crawford County Memorial Hospital  
Denison, 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 Crawford County Memorial Hospital, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2015.

**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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital'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, 2015 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. Those comments are presented in Part II of the accompanying Schedule of Findings.

### **Purpose of this Report**

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

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
September 30, 2015

**Crawford County Memorial Hospital  
SCHEDULE OF FINDINGS  
Year ended June 30, 2015**

**Part I—Findings Related to the Financial Statements**

No matters regarding significant deficiencies, material weaknesses or instances of noncompliance relative to the financial statements were reported.

**Crawford County Memorial Hospital  
SCHEDULE OF FINDINGS  
Year ended June 30, 2015**

**Part II—Findings Related to Required Statutory Reporting**

**15-II-A CERTIFIED BUDGET**

Based on a comparison of actual budget basis expenditures with County Hospital budgeted expenditures, it appears the Hospital exceeded its County Hospital budget for the year ended June 30, 2015.

**Recommendation**

Should this occur in the future, we recommend the budget be amended using the statutorily prescribed procedures.

**Response**

In the future the Hospital will monitor the budget and, if appropriate, seek amendment.

**Conclusion**

Response accepted.

**15-II-B QUESTIONABLE EXPENDITURES**

No questionable expenditures of Hospital funds were noted.

**15-II-C TRAVEL EXPENSES**

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

**15-II-D BUSINESS TRANSACTIONS**

No business transactions were found between the Hospital and Hospital officials and/or employees.

**15-II-E BOARD MINUTES**

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

**15-II-F 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.