

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Independent Auditor's Report and Financial Statements
June 30, 2015 and 2014



**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
June 30, 2015 and 2014**

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Independent Auditor's Report

Board of Commissioners
Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Charles City, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Floyd County Memorial Hospital d/b/a Floyd County Medical Center (the "Hospital"), which comprise the balance sheets as of June 30, 2015 and 2014 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2015, the Hospital adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Supplementary Information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Supplementary Information

Our audits were performed for the purpose of forming an opinion on the basic financial statements as a whole. The Other Supplementary Information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Board of Commissioners
Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and do not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

BKD, LLP

Kansas City, Missouri
December 14, 2015

Floyd County Memorial Hospital d/b/a Floyd County Medical Center

Management's Discussion and Analysis Years Ended June 30, 2015 and 2014

Introduction

This management's discussion and analysis of the financial performance of Floyd County Memorial Hospital d/b/a Floyd County Medical Center (the "Hospital") provides an overview of the Hospital's financial activities for the years ended June 30, 2015 and 2014. It should be read in conjunction with the accompanying financial statements of the Hospital. The amounts reported in the management's discussion and analysis for 2014 and 2013 have not been restated for GASB 68 and 71.

Financial Highlights

- Operating cash increased in 2015 by \$340,773 or 13% and decreased in 2014 by \$736,300 or 22%.
- Noncurrent cash and deposits decreased by \$338,448 or 7% and increased \$1,117,474 or 31% in 2015 and 2014, respectively. The decrease was due to a \$1,500,000 certificate of deposit was moved to current assets.
- The Hospital's net position increased in 2015 by \$1,082,491 or 5.8% from 2014 before consideration of the beginning of year restatement for GASB 68 of \$6,503,386 and decreased \$133,010 or 0.7% in 2014.
- The Hospital reported operating income in 2015 of \$1,062,622 and an operating loss of \$189,691, in 2014.
- Net nonoperating revenues and expense decreased by \$36,812 in 2015 compared to 2014.

Using This Annual Report

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

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, deferred outflows of resources, all liabilities and deferred inflows of resources, using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in them. The Hospital's total net position—the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors, should also be considered to assess the overall financial health of the Hospital.

The Statement of Cash Flows

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

The Hospital's Net Position

The Hospital's net position is the difference between its assets, liabilities and deferred outflows and inflows of resources reported in the Balance Sheet. The Hospital's net position increased by \$1,082,491 or 5.8% before consideration of the beginning of the year restatement for GASB 68 of \$6,503,386 in 2015 over 2014 as shown in Table 1.

Table 1: Assets, Liabilities and Net Position

	2015	2014	2013
Assets			
Patient accounts receivable, net	\$ 3,358,650	\$ 2,912,269	\$ 2,964,121
Other current assets	5,050,377	3,450,472	3,865,364
Capital assets, net	8,583,249	9,086,661	9,844,530
Other noncurrent assets	4,440,656	4,818,299	3,694,194
Total assets	21,432,932	20,267,701	20,368,209
Deferred Outflows of Resources - Pension Plan	1,038,748	-	-
Total assets and deferred outflows of resources	<u>\$ 22,471,680</u>	<u>\$ 20,267,701</u>	<u>\$ 20,368,209</u>
Liabilities			
Other current and noncurrent liabilities	\$ 2,380,510	\$ 1,886,933	\$ 1,854,431
Net pension liability	5,068,733	-	-
Total liabilities	7,449,243	1,886,933	1,854,431
Deferred Inflows of Resources - Pension Plan	2,062,564	-	-
Net Position			
Net investment in capital assets	8,627,661	9,086,661	9,801,233
Unrestricted	4,332,212	9,294,107	8,712,545
Total net position	<u>12,959,873</u>	<u>18,380,768</u>	<u>18,513,778</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 22,471,680</u>	<u>\$ 20,267,701</u>	<u>\$ 20,368,209</u>

In 2015, an excess of revenues over expenses was noted of \$1,082,491 and as a result of no major changes in services were noted.

In 2015, there was a net decrease of \$503,412 or 5.5% in capital assets.

In 2015, there was no long-term debt noted.

In 2015, there was an increase in current liabilities of \$493,577 or 26% primarily related to amounts due to third-party payers.

In 2015, total assets increased \$2,203,979 or 10.9%.

In 2015, the Hospital implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This required the Hospital to record a net pension liability of \$5,068,733, deferred outflows of \$1,038,748 and deferred inflows of \$2,062,564 related to the Hospital's participation in IPERS.

Operating Results and Changes in the Hospital's Net Position

In 2015, the Hospital's net position increased by \$1,082,491 or 5.8% before consideration of the beginning of year restatement for GASB 68 of \$6,503,386 in 2015 as shown in Table 2. This increase is made up of several different components and represents an operating income increase of \$1,252,313 compared to 2014.

Table 2: Operating Results and Changes in Net Position

	2015	2014	2013
Operating Revenues			
Net patient service revenue	\$ 23,209,527	\$ 22,651,752	\$ 22,741,667
Other operating revenues	499,214	494,668	488,940
Total operating revenues	<u>23,708,741</u>	<u>23,146,420</u>	<u>23,230,607</u>
Operating Expenses			
Salaries and wages and employee benefits	11,621,782	12,334,076	11,829,577
Medical professional fees	4,083,099	4,300,487	4,130,386
Depreciation	1,114,741	1,146,643	1,137,555
Other operating expenses	5,826,497	5,554,905	5,468,638
Total operating expenses	<u>22,646,119</u>	<u>23,336,111</u>	<u>22,566,156</u>
Operating Income (Loss)	<u>1,062,622</u>	<u>(189,691)</u>	<u>664,451</u>
Nonoperating Revenues (Expenses)			
Investment income	21,857	80,668	9,893
Contributions	19,772	5,127	5,784
Income taxes - Aesculapius	(21,760)	(29,114)	(16,169)
Total nonoperating revenues (expenses)	<u>19,869</u>	<u>56,681</u>	<u>(492)</u>
Increase (Decrease) in Net Position	<u>\$ 1,082,491</u>	<u>\$ (133,010)</u>	<u>\$ 663,959</u>

Operating Income

The first component of the overall change in the Hospital's net position is its operating income or loss, generally the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In 2015 and 2013, the Hospital has reported an operating income but in 2014 the Hospital reported an operating loss. The Hospital is a County Hospital, but cannot levy property taxes. The Floyd County Supervisors can give the Hospital an amount annually as the County's budget allows. The Hospital received no amounts from the County in 2015 and 2014.

The operating income for 2015 increased as compared to 2014. The primary components of the change in operating income are:

- An increase in net patient service revenues of \$557,775 or 2.5%.
- A decrease in salaries and wages and employee benefits of \$712,294 or 5.8% which was primarily related to the decreases in health insurance expense and reduction in recording expense related to IPERS due to adoption of GASB 68.
- A decrease in depreciation of \$31,902 or 2.8%.
- An increase in all other operating expenses of \$54,204 or 0.5%.
- A decrease in total operating expenses of \$689,992 or 3%.

The operating income for 2014 decreased as compared to 2013. The primary components of the change in operating income are:

- A decrease in net patient service revenues of \$89,915 or .4%.
- An increase in salaries and wages and employee benefits of \$504,499 or 4%.
- An increase in depreciation of \$9,088 or 1%.
- An increase in medical professional fees and other operating expenses of \$256,368 or 3%.
- An increase in total operating expenses of \$769,955 or 3%.

In 2015 and 2014, as in the past, the Floyd County Memorial Hospital (Hospital), subsidizes many Community Benefit Programs in Floyd County. The cost for the subsidy is included in the financial reports presented here and include:

- Meals on Wheels
- Charity care for health services at the Floyd County Memorial Hospital
- Physician care through the Floyd County Area Medical Center
- Physician care through the Nashua Area Medical Center
- Community health care education
- Community disaster planning

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income and income tax expense. Investment income decreased in 2015 as compared to 2014. Income tax expense decreased in 2015 as compared to 2014.

The Hospital's Cash Flows

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

Capital Asset and Debt Administration

Capital Assets

At June 30, 2015, the Hospital had \$8,583,249 in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2015, the Hospital had additions of capital assets of \$622,032.

At June 30, 2014, the Hospital had \$9,086,661 in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2014, the Hospital had additions of capital assets of \$388,774.

Debt

The Hospital had no long-term debt in 2015 or 2014. The Hospital's formal debt issuances are subject to limitations imposed by state law.

Summary

The Medical Center's Board of Commissioners and Administrative Team continue to be extremely proud of the excellent patient care, dedication, commitment and support each of our 200 employees provide to every patient they serve. We would also like to thank each member of the Hospital's medical staff for their dedication and support provided.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital Administrator or Chief Financial Officer by telephoning 641.228.6830.

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Balance Sheets
June 30, 2015 and 2014

Assets and Deferred Outflows of Resources

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash	\$ 2,944,795	\$ 2,604,022
Certificate of deposit	1,500,000	-
Patient accounts receivable, net of allowance; 2015 - \$1,555,000, 2014 - \$1,585,000	3,358,650	2,912,269
Other receivables	54,432	83,215
Estimated amounts due from third-party payers	-	266,895
Supplies	492,645	436,532
Prepaid expenses	58,505	59,808
	<u>8,409,027</u>	<u>6,362,741</u>
Noncurrent Cash and Deposits		
Internally designated for capital and other expenditures	4,431,114	3,269,562
Certificate of deposit	-	1,500,000
	<u>4,431,114</u>	<u>4,769,562</u>
Capital Assets, Net of Accumulated Depreciation	<u>8,583,249</u>	<u>9,086,661</u>
Other Assets		
Investments and other	9,542	48,737
	<u>21,432,932</u>	<u>20,267,701</u>
Deferred Outflows of Resources - Pension Plan	<u>1,038,748</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 22,471,680</u>	<u>\$ 20,267,701</u>

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2015</u>	<u>2014</u>
Current Liabilities		
Accounts payable	\$ 584,484	\$ 459,193
Accrued expenses		
Vacation pay	530,693	536,876
Payroll and related deductions	526,860	476,864
Health insurance	346,473	414,000
Estimated amounts due to third-party payers	<u>392,000</u>	<u>-</u>
Total current liabilities	2,380,510	1,886,933
Net Pension Liability	<u>5,068,733</u>	<u>-</u>
Total liabilities	<u>7,449,243</u>	<u>1,886,933</u>
Deferred Inflows of Resources - Pension Plan	<u>2,062,564</u>	<u>-</u>
Net Position		
Net investment in capital assets	8,627,661	9,086,661
Unrestricted	<u>4,332,212</u>	<u>9,294,107</u>
Total net position	<u>12,959,873</u>	<u>18,380,768</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 <u>\$ 22,471,680</u>	 <u>\$ 20,267,701</u>

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center**
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Net patient service revenue before provision for uncollectible accounts	\$ 24,462,573	\$ 24,000,236
Less provision for uncollectible accounts	<u>1,253,046</u>	<u>1,348,484</u>
Net patient service revenue	23,209,527	22,651,752
Other revenues	<u>499,214</u>	<u>494,668</u>
Total operating revenues	<u>23,708,741</u>	<u>23,146,420</u>
Operating Expenses		
Salaries and wages	8,650,427	8,535,966
Employee benefits	2,971,355	3,798,110
Medical professional fees	4,083,099	4,300,487
Supplies and expenses	3,372,618	3,147,646
General services	938,802	973,133
Administrative services	1,515,077	1,434,126
Depreciation	<u>1,114,741</u>	<u>1,146,643</u>
Total operating expenses	<u>22,646,119</u>	<u>23,336,111</u>
Operating Income (Loss)	<u>1,062,622</u>	<u>(189,691)</u>
Nonoperating Revenues (Expenses)		
Investment income	21,857	80,668
Contributions	19,772	5,127
Income taxes – Aesculapius	<u>(21,760)</u>	<u>(29,114)</u>
Total nonoperating revenues	<u>19,869</u>	<u>56,681</u>
Increase (Decrease) in Net Position	1,082,491	(133,010)
Net Position, Beginning of the Year	18,380,768	18,513,778
Change in Beginning Net Position for Restatement (GASB No. 68)	<u>(6,503,386)</u>	<u>-</u>
Net Position, End of the Year	<u>\$ 12,959,873</u>	<u>\$ 18,380,768</u>

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Statements of Cash Flows
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 23,422,041	\$ 22,257,709
Payments to suppliers	(9,873,942)	(9,755,554)
Payments to employees	(12,056,333)	(12,189,559)
Other receipts and payments, net	519,300	461,487
	<u>2,011,066</u>	<u>774,083</u>
Noncapital Financing Activities		
Unrestricted contributions	19,772	5,127
	<u>19,772</u>	<u>5,127</u>
Capital and Related Financing Activities		
Purchase of capital assets	(577,620)	(432,071)
Proceeds from sale of capital assets	20,703	-
	<u>(556,917)</u>	<u>(432,071)</u>
Investing Activities		
Purchase of investments	-	(30,000)
Income on investments	28,404	64,005
	<u>28,404</u>	<u>34,005</u>
Increase in Cash	1,502,325	381,144
Cash, Beginning of Year	<u>5,873,584</u>	<u>5,492,440</u>
Cash, End of Year	<u>\$ 7,375,909</u>	<u>\$ 5,873,584</u>

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Statements of Cash Flows (Continued)
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Reconciliation of Cash to the Balance Sheets		
Cash	\$ 2,944,795	\$ 2,604,022
Noncurrent cash		
Internally designated	<u>4,431,114</u>	<u>3,269,562</u>
Total cash	<u>\$ 7,375,909</u>	<u>\$ 5,873,584</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 1,062,622	\$ (189,691)
Items not requiring (providing) cash		
Depreciation	1,114,741	1,146,643
Amortization	10,888	10,888
Gain on sale of assets	(10,000)	-
Changes in		
Patient and other accounts receivable, net	(417,598)	34,450
Supplies	(56,113)	(21,332)
Prepaid expenses	1,303	(15,779)
Accounts payable and accrued expenses	57,165	254,799
Net pension liability	(2,181,487)	-
Estimated amounts due to third-party payers	658,895	(445,895)
Deferred outflows of resources	(291,914)	-
Deferred inflows of resources	<u>2,062,564</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 2,011,066</u>	<u>\$ 774,083</u>
Supplemental Cash Flows Information		
Capital asset acquisitions included in accounts payable	<u>\$ 44,412</u>	<u>\$ -</u>

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Notes to Financial Statements
June 30, 2015 and 2014**

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

Nature of Operations

The Floyd County Memorial Hospital d/b/a Floyd County Medical Center (the Hospital) is a county public hospital under Chapter 37 of the Code of Iowa. The Hospital and Health Care of Floyd County L.C. (HCFC) are collectively referred to here as the Organization. The Organization primarily earns revenues by providing health care services to patients on an inpatient and outpatient basis. The Hospital is exempt from income taxes as a political subdivision of the State of Iowa. HCFC is organized pursuant to the Iowa Limited Liability Company Act Chapter 490A.

Basis of Accounting and Presentation

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

Reporting Entity

Health Care of Floyd County L.C. is a blended component unit of the Hospital. HCFC is a legally separate limited liability corporation that is, in substance, a part of the Hospital's operations and governed by the Hospital board. It is organized primarily to hold certain assets for the Hospital. HCFC owns shares of a corporation (Aesculapius, Inc.) whose earnings and losses are included in the financial statements.

Data of HCFC is combined with data of the Hospital for financial reporting purposes using the blending method. Transactions between the Hospital and HCFC are eliminated in preparation of the financial statements.

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Notes to Financial Statements
June 30, 2015 and 2014**

Use of Estimates

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

Risk management

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

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

Deposits, Investments and Investment Income

The Hospital's deposits include demand deposits, money market accounts and certificates of deposit. The Hospital also has investments in partnerships holding mobile medical equipment reported on the equity method.

Investment income includes interest income on deposits and return on other investments.

Patient Accounts Receivable

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

Supplies

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

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Notes to Financial Statements
June 30, 2015 and 2014**

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Hospital.

Land improvements	15 to 20 years
Buildings, improvements and fixed equipment	20 to 40 years
Major moveable equipment, computers and furniture	3 to 7 years

Compensated Absences and Benefits

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

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.

Cost-Sharing Defined Benefit Pension Plan

The Hospital participates in a cost-sharing multiple-employer defined benefit pension plan. 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.

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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 balance sheet consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments and changes in the proportion and differences between Hospital contributions and proportionate share of contributions.

Net Position

Net position of the Hospital is classified in two components. Net investment in capital assets consist of capital assets net of accumulated depreciation. Unrestricted net position is remaining net position that do not meet the definition of net investment in capital assets.

Net Patient Service Revenue

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

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. Charges excluded from revenue under the Hospital's charity care policy were \$70,127 and \$209,318 for 2015 and 2014, respectively.

Noncurrent Cash and Deposits

Noncurrent cash represents internally designated assets set aside by the Board of Commissioners for future capital improvements and other expenditures over which the Board retains control and may at its discretion subsequently use for other purposes.

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Medical Malpractice Coverage and Claims

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

County Assistance

The Hospital operates under Iowa statutes as a County hospital and is entitled to receive a portion of the taxes levied by the County if approved by the County Supervisors. Such proceeds when received would be considered unrestricted as to use by the Hospital and would be used to support operations. The Hospital received no County support in 2015 or 2014.

Income Taxes

As an essential government function of the county, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state tax law.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records (EHR) technology. Critical access hospitals (CAHs) are eligible to receive incentive payments in the cost reporting period beginning in the federal fiscal year in which meaningful use criteria have been met. The Medicare incentive payment is for qualifying costs of the purchase of certified EHR technology multiplied by the Hospital's Medicare share factor, which includes a 20% incentive. This payment is an acceleration of amounts that would have been received in future periods based on reimbursable costs incurred, including depreciation. If meaningful use criteria are not met in future periods, the Hospital is subject to penalties that would reduce future payments for services. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. The final amount for any payment year under both programs is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

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The Hospital had recognized the incentive payments received for qualified EHR technology expenditures during 2013, which was the period during which management was reasonably assured meaningful use was achieved and the earnings process was complete. Management believes the incentive payments reflect a change in how “allowable costs” are determined in paying CAHs for providing services to Medicare beneficiaries. The Hospital recorded no revenue for the years ended June 30, 2015 and 2014, respectively.

Implementation of New Accounting Principles

In 2015, the Hospital adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. 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. Restatement of the 2014 financial statements is not practical because of a lack of information measured under GASB 68 for that period, thus the cumulative effect of applying this statement has been reported as a restatement of beginning net position at July 1, 2014. Beginning net position 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:

	2015
Net position June 30, 2014, as previously reported	\$ 18,380,768
Net pension liability at June 30, 2014	(7,250,220)
Deferred outflows of resources related to contributions made after the July 30, 2013 measurement date	746,834
Net position, beginning of year as restated	\$ 11,877,382

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Note 2: Net Patient Service Revenue

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

Medicare. The Hospital is designated as a Critical Access Hospital (CAH), and is paid for inpatient acute care, skilled swing-bed and outpatient services rendered to Medicare program beneficiaries at one hundred one percent (101%) of actual cost subject to certain limitations. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor. Beginning April 1, 2013, a mandatory payment reduction, known as sequestration, of 2% went into effect. Under current legislation, sequestration is scheduled to last until 2025.

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

Approximately 59% and 57% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2015 and 2014, respectively. Laws and regulations governing Medicare and Medicaid Programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

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Note 3: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at June 30, 2015 and 2014 consisted of:

	<u>2015</u>	<u>2014</u>
Medicare	\$ 1,269,014	\$ 917,269
Medicaid	328,095	260,380
Third-party payers	925,348	872,537
Patients	2,123,189	2,232,949
Clinics	<u>268,004</u>	<u>214,134</u>
Total	4,913,650	4,497,269
Less allowance for uncollectible accounts	<u>1,555,000</u>	<u>1,585,000</u>
Patient accounts receivable, net	<u><u>\$ 3,358,650</u></u>	<u><u>\$ 2,912,269</u></u>

Note 4: Deposits, Investments and Investment Income

Deposits

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

The Hospital had no bank balances exposed to custodial credit risk at June 30, 2015 and 2014. The Hospital's deposits in banks at June 30, 2015 and 2014 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Investments

The Hospital is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Commissioners; prime eligible bankers' acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts and warrants or improvement certificates of a drainage district. The Hospital had limited investments in partnerships holding mobile medical equipment at June 30, 2015 and 2014.

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Summary of Carrying Value

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

	<u>2015</u>	<u>2014</u>
Deposits	\$ 8,875,909	\$ 7,373,584
Included in the following balance sheet captions		
Cash	\$ 2,944,795	\$ 2,604,022
Certificate of deposit	1,500,000	-
Noncurrent cash and deposits	4,431,114	4,769,562
	<u>\$ 8,875,909</u>	<u>\$ 7,373,584</u>

Investment Income

Investment income for the years ended June 30, 2015 and 2014 consisted of:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 19,150	\$ 66,642
Return on other investments	2,707	14,026
	<u>\$ 21,857</u>	<u>\$ 80,668</u>

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Note 5: Capital Assets

Consolidated capital assets activity for the years ended June 30, 2015 and 2014 was:

2015	Balance June 30, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
Land and improvements	\$ 579,489	\$ 37,200			\$ 616,689
Building and improvements	15,189,326	14,268	\$ 10,703		15,192,891
Fixed equipment	2,015,215				2,015,215
Major moveable equipment	5,947,340	285,962	105,071	\$ 41,249	6,169,480
Construction in progress	49,996	284,602		(41,249)	293,349
	<u>23,781,366</u>	<u>622,032</u>	<u>115,774</u>	<u>-</u>	<u>24,287,624</u>
Less accumulated depreciation					
Land improvements	283,640	31,407			315,047
Building and improvements	8,403,385	562,836			8,966,221
Fixed equipment	1,514,805	72,009			1,586,814
Major moveable equipment	4,492,875	448,489	105,071		4,836,293
Total accumulated depreciation	<u>14,694,705</u>	<u>1,114,741</u>	<u>105,071</u>		<u>15,704,375</u>
Capital assets, net	<u>\$ 9,086,661</u>	<u>\$ (492,709)</u>	<u>\$ 10,703</u>	<u>\$ -</u>	<u>\$ 8,583,249</u>
2014	Balance June 30, 2013	Additions	Retirements	Transfers	Balance June 30, 2014
Land and improvements	\$ 498,785	\$ 75,766		\$ 4,938	\$ 579,489
Building and improvements	15,187,727	1,599			15,189,326
Fixed equipment	2,015,215				2,015,215
Major moveable equipment	5,632,711	175,401		139,228	5,947,340
Construction in progress	58,154	136,008		(144,166)	49,996
	<u>23,392,592</u>	<u>388,774</u>		<u>-</u>	<u>23,781,366</u>
Less accumulated depreciation					
Land improvements	256,830	26,810			283,640
Building and improvements	7,816,493	586,892			8,403,385
Fixed equipment	1,439,231	75,574			1,514,805
Major moveable equipment	4,035,508	457,367			4,492,875
Total accumulated depreciation	<u>13,548,062</u>	<u>1,146,643</u>			<u>14,694,705</u>
Capital assets, net	<u>\$ 9,844,530</u>	<u>\$ (757,869)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,086,661</u>

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The Hospital Board of Commissioners has approved an approximate \$3,200,000 project for the replacement of boilers and air handlers. At June 30, 2015, approximately \$287,000 was included in construction in progress. The project will be paid for with internal funds. The project is estimated to take approximately two years to complete.

Note 6: Operating Leases

Noncancellable operating lease for equipment expires in various years through 2018.

Future minimum lease payments at June 30, 2015, were:

2016	\$ 304,744
2017	122,917
2018	<u>43,281</u>
Future minimum lease payments	<u><u>\$ 470,942</u></u>

Rental expense for all operating leases totaled \$198,801 and \$181,301 for 2015 and 2014, respectively.

Note 7: Defined Benefit Pension Plan

Plan Description

The Hospital contributes to the Iowa Public Employees' Retirement System (IPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute, to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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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 of 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.)

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

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

Disability and Death Benefits

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

Contributions

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

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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%.

The Hospital's contributions to IPERS for the years ended June 30, 2015, 2014 and 2013 were \$759,966, \$746,834 and \$718,037, respectively.

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

At June 30, 2015, the Hospital reported a liability of \$5,068,733 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. At June 30, 2014, the Hospital's collective proportion was 0.1252%, which was a decrease of 0.003% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Hospital recognized pension expense of \$346,127. At June 30, 2015, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,087	\$ -
Change of assumptions	223,695	-
Net difference between projected and actual earnings on pension plan investments	-	1,933,069
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	-	129,495
Hospital contributions subsequent to the measurement date	759,966	-
Total	<u>\$ 1,038,748</u>	<u>\$ 2,062,564</u>

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At June 30, 2015, the Hospital reported \$759,966 as deferred outflows of resources related to pensions resulting from the Hospital contributions subsequent to the measurement date and prior to year end that 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 at June 30, 2015, related to pensions will be recognized in pension expense as follows:

Year ended June 30

2016	\$	(450,505)
2017		(450,505)
2018		(450,505)
2019		(450,505)
2020		<u>18,238</u>
	<u>\$</u>	<u>(1,783,782)</u>

There were no non-employer 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:

Inflation (effective June 30, 2014)	3.00%
Salary increases (effective June 30, 2010)	4.00% to 17.00%, average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of 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.

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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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US 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	1%	-0.69%
	<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.

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Hospital's proportionate share of the net pension liability	\$ 9,577,228	\$ 5,068,733	\$ 1,263,096

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.

Payables to the Pension Plan

At June 30, 2015, the Hospital reported payables to the defined benefit pension plan of \$24,511 for legally required employer contributions and \$16,341 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8: Employee Health Insurance Claims

Liabilities include an accrual for claims that have been incurred but not reported for self-insured health insurance. Claims liabilities from asserted claims and from unasserted claims are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations, including relevant trend factors. Activity in the Hospital's accrued health insurance claims liability during 2015 and 2014 is summarized as follows:

	2015	2014
Balance, beginning of year	\$ 414,000	\$ 352,000
Current year claims and changes in estimates	(1,767,700)	(2,215,106)
Claim payments	1,700,173	2,277,106
Balance, end of year	\$ 346,473	\$ 414,000

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Note 9: Condensed Financial Statements

The following tables include condensed information for the Hospital and Health Care of Floyd County L.C., a blended component unit described in *Note 1* as of June 30, 2015 and 2014.

Condensed Balance Sheets

	June 30, 2015			
	Floyd County Memorial Hospital	HCFC	Eliminations	Total
Assets				
Current assets	\$ 8,170,940	\$ 238,087	\$ -	\$ 8,409,027
Noncurrent cash and deposits	4,431,114	-	-	4,431,114
Capital assets	8,126,999	456,250	-	8,583,249
Other assets	703,879	-	(694,337)	9,542
Total assets	<u>21,432,932</u>	<u>694,337</u>	<u>(694,337)</u>	<u>21,432,932</u>
Deferred Outflows of Resources - Pension Plan				
	<u>1,038,748</u>	<u>-</u>	<u>-</u>	<u>1,038,748</u>
Total assets and deferred outflows of resources	<u>\$ 22,471,680</u>	<u>\$ 694,337</u>	<u>\$ (694,337)</u>	<u>\$ 22,471,680</u>
Liabilities				
Current liabilities	\$ 2,380,510	\$ -	\$ -	\$ 2,380,510
Net pension liability	5,068,733	-	-	5,068,733
Total liabilities	<u>7,449,243</u>	<u>-</u>	<u>-</u>	<u>7,449,243</u>
Deferred Inflows of Resources - Pension Plan				
	<u>2,062,564</u>	<u>-</u>	<u>-</u>	<u>2,062,564</u>
Net Position				
Net investment in capital assets	8,171,411	456,250	-	8,627,661
Unrestricted	4,788,462	238,087	(694,337)	4,332,212
Total net position	<u>12,959,873</u>	<u>694,337</u>	<u>(694,337)</u>	<u>12,959,873</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 22,471,680</u>	<u>\$ 694,337</u>	<u>\$ (694,337)</u>	<u>\$ 22,471,680</u>

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	June 30, 2014			
	Floyd County Memorial Hospital	HCFC	Eliminations	Total
Assets				
Current assets	\$ 6,222,105	\$ 140,636	\$ -	\$ 6,362,741
Noncurrent cash and deposits	4,769,562	-	-	4,769,562
Capital assets	8,602,918	483,743	-	9,086,661
Other assets	673,116	-	(624,379)	48,737
	<u>\$ 20,267,701</u>	<u>\$ 624,379</u>	<u>\$ (624,379)</u>	<u>\$ 20,267,701</u>
Liabilities and Net Position				
Current liabilities	\$ 1,886,933	\$ -	\$ -	\$ 1,886,933
	<u>1,886,933</u>	<u>-</u>	<u>-</u>	<u>1,886,933</u>
Net Position				
Net investment in capital assets	8,602,918	483,743	-	9,086,661
Unrestricted	9,777,850	140,636	(624,379)	9,294,107
	<u>18,380,768</u>	<u>624,379</u>	<u>(624,379)</u>	<u>18,380,768</u>
	<u>\$ 20,267,701</u>	<u>\$ 624,379</u>	<u>\$ (624,379)</u>	<u>\$ 20,267,701</u>
Total liabilities and net position	<u>\$ 20,267,701</u>	<u>\$ 624,379</u>	<u>\$ (624,379)</u>	<u>\$ 20,267,701</u>

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Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30, 2015			
	Floyd County Memorial Hospital	HCFC	Eliminations	Total
Operating Revenues				
Net patient service revenue	\$ 23,209,527	\$ -	\$ -	\$ 23,209,527
Other	358,756	214,354	(73,896)	499,214
Total operating revenues	<u>23,568,283</u>	<u>214,354</u>	<u>(73,896)</u>	<u>23,708,741</u>
Operating Expenses				
Other operating expenses	21,513,696	91,578	(73,896)	21,531,378
Depreciation	1,083,683	31,058	-	1,114,741
Total operating expenses	<u>22,597,379</u>	<u>122,636</u>	<u>(73,896)</u>	<u>22,646,119</u>
Operating Income	<u>970,904</u>	<u>91,718</u>	<u>-</u>	<u>1,062,622</u>
Nonoperating Revenues (Expenses)				
Investment income	91,815	-	(69,958)	21,857
Contributions	19,772	-	-	19,772
Income taxes – Aesculapius	-	(21,760)	-	(21,760)
Total nonoperating revenues (expenses)	<u>111,587</u>	<u>(21,760)</u>	<u>(69,958)</u>	<u>19,869</u>
Increase (Decrease) in Net Position	1,082,491	69,958	(69,958)	1,082,491
Net Position, Beginning of Year	18,380,768	624,379	(624,379)	18,380,768
Change in Beginning Net Position for Restatement (GASB 68)	<u>(6,503,386)</u>	<u>-</u>	<u>-</u>	<u>(6,503,386)</u>
Net Position, End of Year	<u>\$ 12,959,873</u>	<u>\$ 694,337</u>	<u>\$ (694,337)</u>	<u>\$ 12,959,873</u>

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Notes to Financial Statements
June 30, 2015 and 2014**

	Year Ended June 30, 2014			
	Floyd County Memorial Hospital	HCFC	Eliminations	Total
Operating Revenues				
Net patient service revenue	\$ 22,651,752	\$ -	\$ -	\$ 22,651,752
Other	354,286	214,278	(73,896)	494,668
Total operating revenues	<u>23,006,038</u>	<u>214,278</u>	<u>(73,896)</u>	<u>23,146,420</u>
Operating Expenses				
Other operating expenses	22,177,090	86,274	(73,896)	22,189,468
Depreciation	1,111,281	35,362	-	1,146,643
Total operating expenses	<u>23,288,371</u>	<u>121,636</u>	<u>(73,896)</u>	<u>23,336,111</u>
Operating Income (Loss)	<u>(282,333)</u>	<u>92,642</u>	<u>-</u>	<u>(189,691)</u>
Nonoperating Revenues (Expenses)				
Investment income	144,196	-	(63,528)	80,668
Contributions	5,127	-	-	5,127
Income taxes – Aesculapius	-	(29,114)	-	(29,114)
Total nonoperating revenues (expenses)	<u>149,323</u>	<u>(29,114)</u>	<u>(63,528)</u>	<u>56,681</u>
Increase (Decrease) in Net Position	(133,010)	63,528	(63,528)	(133,010)
Net Position, Beginning of Year	18,513,778	600,851	(600,851)	18,513,778
Dividends Paid	-	(40,000)	40,000	-
Net Position, End of Year	<u>\$ 18,380,768</u>	<u>\$ 624,379</u>	<u>\$ (624,379)</u>	<u>\$ 18,380,768</u>

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Notes to Financial Statements
June 30, 2015 and 2014**

Condensed Statements of Cash Flows

	Year Ended June 30, 2015			
	Floyd County Memorial Hospital	HCFC	Eliminations	Total
Net Cash Provided by Operating Activities	\$ 1,910,050	\$ 101,016	\$ -	\$ 2,011,066
Net Cash Provided by Noncapital Financing Activities	19,772	-	-	19,772
Net Cash Used in Capital and Related Financing Activities	(553,352)	(3,565)	-	(556,917)
Net Cash Provided by Investing Activities	28,404	-	-	28,404
Change in Cash	1,404,874	97,451	-	1,502,325
Cash, Beginning of Year	5,732,948	140,636	-	5,873,584
Cash, End of Year	\$ 7,137,822	\$ 238,087	\$ -	\$ 7,375,909

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Notes to Financial Statements
June 30, 2015 and 2014**

	Year Ended June 30, 2014			
	Floyd County Memorial Hospital	HCFC	Eliminations	Total
Net Cash Provided by Operating Activities	\$ 675,193	\$ 98,890	\$ -	\$ 774,083
Net Cash Provided by Noncapital Financing Activities	5,127	-	-	5,127
Net Cash Used in Capital and Related Financing Activities	(426,172)	(5,899)	-	(432,071)
Net Cash Provided by (Used in) Investing Activities	74,005	(40,000)	-	34,005
Change in Cash	328,153	52,991	-	381,144
Cash, Beginning of Year	5,404,795	87,645	-	5,492,440
Cash, End of Year	\$ 5,732,948	\$ 140,636	\$ -	\$ 5,873,584

Note 10: Budget and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Commissioners annually adopts a budget on the cash basis following required public notice and hearings for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

The following is a reconciliation between reported amounts and cash basis presentation as well as a comparison to budget of the Hospital for the year ended June 30, 2015:

	Book Basis	Actual Accrual Adjustments	Cash Basis	Budget
Other revenues/receipts	\$ 23,679,870	\$ 241,297	\$ 23,921,167	\$ 32,772,500
Expenses/disbursements	22,597,379	(550,179)	22,047,200	32,559,000
	1,082,491	791,476	1,873,967	213,500
Balance, beginning of year	11,877,382	(10,691,552)	1,185,830	1,185,830
Balance, end of year	\$ 12,959,873	\$ (9,900,076)	\$ 3,059,797	\$ 1,399,330

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Notes to Financial Statements
June 30, 2015 and 2014**

Note 11: Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. No amounts were recorded at June 30, 2015 and 2014.

Required Supplementary Information

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center**
Schedule of Hospital's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Determined as of the Measurement Date*
Required Supplementary Information

	2014
Hospital's proportion of the net pension liability	0.1252%
Hospital's proportionate share of the net pension liability	5,068,733
Hospital's covered-employee payroll	8,448,696
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.00%
Plan fiduciary net position as a percentage of the total pension liability	86.60%

* The amounts presented are determined as of the measurement date (June 30) of the collective net pension liability.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the Hospital will present information for those years for which information is available.

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedule of Hospital Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years
Required Supplementary Information
June 30, 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 759,966	\$ 746,834	\$ 718,037	\$ 679,338	\$ 551,553	\$ 503,204	\$ 482,377	\$ 434,099	\$ 368,613	\$ 354,657
Contributions in relation to the statutorily required contribution	<u>(759,966)</u>	<u>(746,834)</u>	<u>(718,037)</u>	<u>(679,338)</u>	<u>(551,553)</u>	<u>(503,204)</u>	<u>(482,377)</u>	<u>(434,099)</u>	<u>(368,613)</u>	<u>(354,657)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Hospital's covered-employee payroll	8,476,623	8,448,696	8,294,323	8,127,054	7,848,080	7,522,415	7,537,313	7,093,268	6,777,079	6,208,558
Contributions as a percentage of covered-employee payroll	8.97%	8.84%	8.66%	8.36%	7.03%	6.69%	6.40%	6.12%	5.44%	5.71%

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
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% 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 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center**

**Notes to Required Supplementary Information – Pension Liability (Continued)
Year Ended June 30, 2015**

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.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Consolidating Balance Sheet
June 30, 2015**

Assets and Deferred Outflows of Resources

	Floyd County Memorial Hospital	HCFC	Eliminations	Total
Current Assets				
Cash	\$ 2,706,708	\$ 238,087		\$ 2,944,795
Certificate of deposit	1,500,000			1,500,000
Patient accounts receivable, net of allowance of \$1,555,000	3,358,650			3,358,650
Other receivables	54,432			54,432
Supplies	492,645			492,645
Prepaid expenses	58,505			58,505
	<u>8,170,940</u>	<u>238,087</u>		<u>8,409,027</u>
Noncurrent Cash and Deposits				
Internally designated for capital and other expenditures	4,431,114			4,431,114
	<u>4,431,114</u>			<u>4,431,114</u>
Capital Assets, Net of Accumulated Depreciation	<u>8,126,999</u>	<u>456,250</u>		<u>8,583,249</u>
Other Assets				
Investments and other	703,879		\$ (694,337)	9,542
	<u>703,879</u>		<u>\$ (694,337)</u>	<u>9,542</u>
Total Assets	21,432,932	694,337	(694,337)	21,432,932
Deferred Outflows of Resources - Pension Plan	<u>1,038,748</u>	<u>-</u>	<u>-</u>	<u>1,038,748</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 22,471,680</u>	<u>\$ 694,337</u>	<u>\$ (694,337)</u>	<u>\$ 22,471,680</u>

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Consolidating Balance Sheet (Continued)
June 30, 2015**

Liabilities, Deferred Inflows of Resources and Net Position

	Floyd County Memorial Hospital	HCFC	Eliminations	Total
Current Liabilities				
Accounts payable	\$ 584,484			\$ 584,484
Accrued expenses				
Vacation pay	530,693			530,693
Payroll and related deductions	526,860			526,860
Health insurance	346,473			346,473
Estimated amounts due to third-party payers	<u>392,000</u>			<u>392,000</u>
Total current liabilities	2,380,510			2,380,510
Net Pension Liability	<u>5,068,733</u>			<u>5,068,733</u>
Total liabilities	<u>7,449,243</u>			<u>7,449,243</u>
Deferred Inflows of Resources - Pension Plan	<u>2,062,564</u>			<u>2,062,564</u>
Net Position				
Net investment in capital assets	8,171,411	\$ 456,250		8,627,661
Unrestricted	<u>4,788,462</u>	<u>238,087</u>	<u>\$ (694,337)</u>	<u>4,332,212</u>
Total net position	<u>12,959,873</u>	<u>694,337</u>	<u>(694,337)</u>	<u>12,959,873</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 22,471,680</u></u>	<u><u>\$ 694,337</u></u>	<u><u>\$ (694,337)</u></u>	<u><u>\$ 22,471,680</u></u>

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Consolidating Balance Sheet
June 30, 2014**

Assets

	Floyd County Memorial Hospital	HCFC	Eliminations	Total
Current Assets				
Cash	\$ 2,463,386	\$ 140,636		\$ 2,604,022
Patient accounts receivable, net of allowance of \$1,585,000	2,912,269			2,912,269
Other receivables	83,215			83,215
Estimated amounts due from third-party payers	266,895			266,895
Supplies	436,532			436,532
Prepaid expenses	59,808			59,808
	<u>6,222,105</u>	<u>140,636</u>		<u>6,362,741</u>
Noncurrent Cash and Deposits				
Internally designated for capital and other expenditures	3,269,562			3,269,562
Certificate of deposit	1,500,000			1,500,000
	<u>4,769,562</u>			<u>4,769,562</u>
Capital Assets, Net of Accumulated Depreciation				
	<u>8,602,918</u>	<u>483,743</u>		<u>9,086,661</u>
Other Assets				
Investments and other	673,116		\$ (624,379)	48,737
	<u>673,116</u>		<u>\$ (624,379)</u>	<u>48,737</u>
Total Assets	<u>\$ 20,267,701</u>	<u>\$ 624,379</u>	<u>\$ (624,379)</u>	<u>\$ 20,267,701</u>

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Consolidating Balance Sheet (Continued)
June 30, 2014**

Liabilities and Net Position

	Floyd County Memorial Hospital	HCFC	Eliminations	Total
Current Liabilities				
Accounts payable	\$ 459,193			\$ 459,193
Accrued expenses				
Vacation pay	536,876			536,876
Payroll and related deductions	476,864			476,864
Health insurance	414,000			414,000
	<u>1,886,933</u>			<u>1,886,933</u>
Net Position				
Net investment in capital assets	8,602,918	\$ 483,743		9,086,661
Unrestricted	9,777,850	140,636	\$ (624,379)	9,294,107
	<u>18,380,768</u>	<u>624,379</u>	<u>(624,379)</u>	<u>18,380,768</u>
Total Liabilities and Net Position	<u>\$ 20,267,701</u>	<u>\$ 624,379</u>	<u>\$ (624,379)</u>	<u>\$ 20,267,701</u>

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Consolidating Statement of Revenues, Expenses
and Changes in Net Position
Year Ended June 30, 2015**

	Floyd County Memorial Hospital	HCFC	Eliminations	Total
Operating Revenues				
Net patient service revenue before provision for uncollectible accounts	\$ 24,462,573			\$ 24,462,573
Less provision for uncollectible accounts	1,253,046			1,253,046
Net patient service revenue	23,209,527			23,209,527
Other revenues	358,756	\$ 214,354	\$ (73,896)	499,214
Total operating revenues	23,568,283	214,354	(73,896)	23,708,741
Operating Expenses				
Salaries and wages	8,650,427			8,650,427
Employee benefits	2,971,355			2,971,355
Medical professional fees	4,083,099			4,083,099
Supplies and expenses	3,372,618			3,372,618
General services	944,222	68,476	(73,896)	938,802
Administrative services	1,491,975	23,102		1,515,077
Depreciation	1,083,683	31,058		1,114,741
Total operating expenses	22,597,379	122,636	(73,896)	22,646,119
Operating Income	970,904	91,718	-	1,062,622
Nonoperating Revenues (Expenses)				
Investment income	91,815		(69,958)	21,857
Contributions	19,772			19,772
Income taxes – Aesculapius		(21,760)		(21,760)
Total nonoperating revenues (expenses)	111,587	(21,760)	(69,958)	19,869
Increase (Decrease) in Net Position	1,082,491	69,958	(69,958)	1,082,491
Net Position, Beginning of the Year	18,380,768	624,379	(624,379)	18,380,768
Change in Beginning Net Position for Restatement (GASB No. 68)	(6,503,386)	-	-	(6,503,386)
Net Position, End of the Year	\$ 12,959,873	\$ 694,337	\$ (694,337)	\$ 12,959,873

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Consolidating Statement of Revenues, Expenses
and Changes in Net Position
Year Ended June 30, 2014

	Floyd County Memorial Hospital	HCFC	Eliminations	Total
Operating Revenues				
Net patient service revenue before provision for uncollectible accounts	\$ 24,000,236			\$ 24,000,236
Less provision for uncollectible accounts	<u>1,348,484</u>			<u>1,348,484</u>
Net patient service revenue	22,651,752			22,651,752
Other revenues	<u>354,286</u>	<u>\$ 214,278</u>	<u>\$ (73,896)</u>	<u>494,668</u>
Total operating revenues	<u>23,006,038</u>	<u>214,278</u>	<u>(73,896)</u>	<u>23,146,420</u>
Operating Expenses				
Salaries and wages	8,535,966			8,535,966
Employee benefits	3,798,110			3,798,110
Medical professional fees	4,300,487			4,300,487
Supplies and expenses	3,147,646			3,147,646
General services	983,594	63,435	(73,896)	973,133
Administrative services	1,411,287	22,839		1,434,126
Depreciation	<u>1,111,281</u>	<u>35,362</u>		<u>1,146,643</u>
Total operating expenses	<u>23,288,371</u>	<u>121,636</u>	<u>(73,896)</u>	<u>23,336,111</u>
Operating Income (Loss)	<u>(282,333)</u>	<u>92,642</u>	<u>-</u>	<u>(189,691)</u>
Nonoperating Revenues (Expenses)				
Investment income	144,196		(63,528)	80,668
Contributions	5,127			5,127
Income taxes – Aesculapius		<u>(29,114)</u>		<u>(29,114)</u>
Total nonoperating revenues (expenses)	<u>149,323</u>	<u>(29,114)</u>	<u>(63,528)</u>	<u>56,681</u>
Increase (Decrease) in Net Position	(133,010)	63,528	(63,528)	(133,010)
Net Position, Beginning of the Year	18,513,778	600,851	(600,851)	18,513,778
Dividends Paid		<u>(40,000)</u>	<u>40,000</u>	<u>-</u>
Net Position, End of the Year	<u>\$ 18,380,768</u>	<u>\$ 624,379</u>	<u>\$ (624,379)</u>	<u>\$ 18,380,768</u>

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Patient Service Revenues – Hospital
Years Ended June 30, 2015 and 2014**

	2015			2014		
	Total	Inpatient	Outpatient	Total	Inpatient	Outpatient
Routine Services						
Acute nursing care	\$ 4,209,740	\$ 4,209,740		\$ 3,809,499	\$ 3,809,499	
Nursery	207,418	207,418		212,433	212,433	
	<u>4,417,158</u>	<u>4,417,158</u>		<u>4,021,932</u>	<u>4,021,932</u>	
Other Nursing Services						
Operating room	4,171,517	1,009,601	\$ 3,161,916	3,926,706	1,081,010	\$ 2,845,696
Recovery room	326,538	31,566	294,972	282,160	37,384	244,776
Delivery room	324,409	221,439	102,970	239,770	161,950	77,820
Emergency room	5,822,892	82,172	5,740,720	5,200,119	111,698	5,088,421
	<u>10,645,356</u>	<u>1,344,778</u>	<u>9,300,578</u>	<u>9,648,755</u>	<u>1,392,042</u>	<u>8,256,713</u>
Other Professional Services						
Central service and supply	524,670	245,224	279,446	739,932	298,427	441,505
Laboratory	7,757,586	704,252	7,053,334	7,003,278	737,530	6,265,748
Blood	172,811	57,466	115,345	243,801	88,755	155,046
Radiology	2,315,558	76,068	2,239,490	2,083,001	73,035	2,009,966
Electrocardiology	890,556	47,360	843,196	897,743	46,636	851,107
Ultrasound	395,253	10,476	384,777	335,756	12,579	323,177
Nuclear medicine	131,800		131,800	138,561	1,924	136,637
CT scan	3,236,924	196,678	3,040,246	3,105,953	237,226	2,868,727
MRI	1,106,530	35,472	1,071,058	981,635	68,840	912,795
Pharmacy	2,472,818	1,097,102	1,375,716	2,152,424	977,672	1,174,752
Intravenous therapy	254,649	96,632	158,017	377,494	198,888	178,606
Respiratory therapy	1,393,207	625,245	767,962	1,397,720	656,058	741,662
Physical therapy	2,431,121	584,012	1,847,109	2,181,973	622,969	1,559,004
Occupational therapy	481,564	194,649	286,915	464,005	192,459	271,546
Speech pathology	485,236	54,544	430,692	421,202	38,795	382,407
Anesthesia	408,601	36,069	372,532	360,769	47,794	312,975
Medical clinic	123,956		123,956	110,997		110,997
Rural health clinic	1,336,132		1,336,132	1,257,749		1,257,749
Clinic Surgeon	521,037		521,037	534,395		534,395
CRNA services	356,823		356,823	383,506		383,506
	<u>26,796,832</u>	<u>4,061,249</u>	<u>22,735,583</u>	<u>25,171,894</u>	<u>4,299,587</u>	<u>20,872,307</u>
Patient Service Revenue	41,859,346	<u>\$ 9,823,185</u>	<u>\$32,036,161</u>	38,842,581	<u>\$ 9,713,561</u>	<u>\$29,129,020</u>
Contractual Allowances	<u>(17,396,773)</u>			<u>(14,842,345)</u>		
Net Patient Service Revenue before Provision for Uncollectible Accounts	24,462,573			24,000,236		
Provision for Uncollectible Accounts	<u>(1,253,046)</u>			<u>(1,348,484)</u>		
Net Patient Service Revenue	<u>\$23,209,527</u>			<u>\$22,651,752</u>		

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Other Operating Revenues – Hospital
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cafeteria	\$ 146,175	\$ 142,932
Specialty clinics	126,485	122,760
Office rental	18,834	19,073
Registration fees	65	50
Medical records transcripts	20,260	18,695
Other	<u>46,937</u>	<u>50,776</u>
	<u>\$ 358,756</u>	<u>\$ 354,286</u>

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Operating Expenses – Hospital
Years Ended June 30, 2015 and 2014**

	2015			2014		
	Total	Salaries	Other	Total	Salaries	Other
Nursing Services						
Nursing administration	\$ 449,631	\$ 352,132	\$ 97,499	\$ 482,266	\$ 354,025	\$ 128,241
Routine care	2,930,496	2,140,212	790,284	3,163,642	2,143,484	1,020,158
Nursery	91,699	68,824	22,875	113,964	80,231	33,733
Operating room	1,225,504	407,443	818,061	1,365,059	403,361	961,698
Delivery room	83,400	61,209	22,191	77,200	53,868	23,332
Emergency room	2,172,982	808,789	1,364,193	2,195,039	805,348	1,389,691
	<u>6,953,712</u>	<u>3,838,609</u>	<u>3,115,103</u>	<u>7,397,170</u>	<u>3,840,317</u>	<u>3,556,853</u>
Other Professional Services						
Central service and supply	264,434	86,834	177,600	294,969	82,137	212,832
Laboratory	1,517,966	611,444	906,522	1,542,273	565,253	977,020
Radiology	1,125,433	533,431	592,002	1,116,192	506,691	609,501
Electrocardiology	141,231	82,993	58,238	122,815	66,844	55,971
Nuclear medicine	37,926		37,926	68,578		68,578
Pharmacy	1,258,788	103,619	1,155,169	1,172,000	106,681	1,065,319
Respiratory therapy	353,661		353,661	350,354		350,354
Physical therapy	927,912		927,912	888,042		888,042
Occupational therapy	107,092		107,092	109,301		109,301
Speech pathology	241,229	197,378	43,851	251,396	193,434	57,962
CT Scan	272,107		272,107	264,691		264,691
Medical clinic	161,120	62,892	98,228	171,119	65,204	105,915
Rural health clinic	1,225,569	441,907	783,662	1,252,223	421,676	830,547
Sleep studies	46,613		46,613	61,426		61,426
Clinic Surgeon	321,995		321,995	324,526		324,526
CRNA services	413,173		413,173	431,736		431,736
	<u>8,416,249</u>	<u>2,120,498</u>	<u>6,295,751</u>	<u>8,421,641</u>	<u>2,007,920</u>	<u>6,413,721</u>

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Operating Expenses – Hospital (Continued)
Years Ended June 30, 2015 and 2014**

	2015			2014		
	Total	Salaries	Other	Total	Salaries	Other
General Services						
Dietary	\$ 857,466	\$ 500,592	\$ 356,874	\$ 902,193	\$ 491,856	\$ 410,337
Operation of plant	787,386	217,459	569,927	840,676	218,688	621,988
Housekeeping	509,470	349,185	160,285	532,092	341,270	190,822
Laundry	95,662	15,066	80,596	108,631	16,539	92,092
	<u>2,249,984</u>	<u>1,082,302</u>	<u>1,167,682</u>	<u>2,383,592</u>	<u>1,068,353</u>	<u>1,315,239</u>
Administrative Services						
Medical records	443,359	273,378	169,981	480,855	268,805	212,050
Administration	2,979,812	1,160,773	1,819,039	3,028,844	1,169,963	1,858,881
Purchasing	147,058	88,972	58,086	169,438	96,939	72,499
Personnel	231,383	85,895	145,488	214,480	83,669	130,811
Insurance	92,139		92,139	81,070		81,070
	<u>3,893,751</u>	<u>1,609,018</u>	<u>2,284,733</u>	<u>3,974,687</u>	<u>1,619,376</u>	<u>2,355,311</u>
Depreciation	<u>1,083,683</u>		<u>1,083,683</u>	<u>1,111,281</u>		<u>1,111,281</u>
	<u><u>\$ 22,597,379</u></u>	<u><u>\$ 8,650,427</u></u>	<u><u>\$ 13,946,952</u></u>	<u><u>\$ 23,288,371</u></u>	<u><u>\$ 8,535,966</u></u>	<u><u>\$ 14,752,405</u></u>

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Patient Receivables and Allowance for
Uncollectible Accounts – Hospital
Years Ended June 30, 2015 and 2014**

Schedules of Patient Receivables

	<u>Amounts</u>		<u>Percent to Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Days Since Discharge				
0-30	\$ 3,295,599	\$ 2,899,368	49.45%	48.88%
31-60	554,519	569,334	8.32%	9.60%
61-90	442,012	305,715	6.63%	5.15%
91-120	291,526	272,653	4.37%	4.60%
121-150	191,874	182,021	2.88%	3.07%
151 and over	1,889,116	1,702,044	28.35%	28.70%
	<u>6,664,646</u>	<u>5,931,135</u>	<u>100.00%</u>	<u>100.00%</u>
Clinic accounts receivable	<u>335,504</u>	<u>287,234</u>		
	<u>7,000,150</u>	<u>6,218,369</u>		
Less				
Contractual allowances	2,086,500	1,721,100		
Allowance for uncollectible accounts	<u>1,555,000</u>	<u>1,585,000</u>		
	<u>3,641,500</u>	<u>3,306,100</u>		
	<u>\$ 3,358,650</u>	<u>\$ 2,912,269</u>		

Allowance for Uncollectible Accounts

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 1,585,000	\$ 1,511,000
Provision for year	1,253,046	1,348,484
Recoveries of accounts previously written off	<u>80,295</u>	<u>116,306</u>
	2,918,341	2,975,790
Less accounts written off	<u>1,363,341</u>	<u>1,390,790</u>
Balance, end of year	<u>\$ 1,555,000</u>	<u>\$ 1,585,000</u>

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Noncurrent Cash Transactions – Hospital
Years Ended June 30, 2015 and 2014**

	Total
Balance, July 1, 2013	\$ 2,152,118
Deposits	1,281,504
Withdrawals	(164,060)
Balance, June 30, 2014	3,269,562
Deposits	1,161,552
Withdrawals	-
Balance, June 30, 2015	\$ 4,431,114

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Supplies and Prepaid Expenses – Hospital
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Supplies		
Storeroom	\$ 65,333	\$ 69,109
Pharmacy	231,065	199,800
Surgery	183,020	157,708
Dietary	13,227	9,915
	<u>\$ 492,645</u>	<u>\$ 436,532</u>
Prepaid Expenses		
Insurance	<u>\$ 58,505</u>	<u>\$ 59,808</u>

Other Supplementary Information

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedule of Officials – Hospital
Year Ended June 30, 2015**

Name	Title	Term Expires
Board of Commissioners		
James Moon	Chairman	2015
Sue Pump	Treasurer	2015
Ronald James	Secretary	2016
Myrna Jakoubek	Member	2017
Paula Kingery	Member	2017
Hospital Officials		
Bill Faust	Administrator	
Ronald Timpe	Chief Financial Officer	

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Financial and Statistical Data – Hospital
Years Ended June 30, 2015 and 2014**

	2015	2014
Patient Days (Exclusive of Swing-bed)		
Medicare	1,389	1,497
Medicaid	209	164
Private and other	291	394
	<u>1,889</u>	<u>2,055</u>
Medicare and Medicaid Percent	<u>84.6%</u>	<u>80.8%</u>
Percent of Occupancy (Exclusive of Swing-bed)	<u>21%</u>	<u>23%</u>
Discharges (Exclusive of Swing-bed)		
Medicare	337	389
Medicaid	71	60
Private and other	120	145
	<u>528</u>	<u>594</u>
Average Length of Stay in Days	<u>3.6</u>	<u>3.5</u>

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

Board of Commissioners
Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Charles City, Iowa

We have audited, 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, the financial statements of Floyd County Memorial Hospital d/b/a Floyd County Medical Center (the Hospital), which comprise the balance sheet as of June 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2015 which contained an "Emphasis of Matter" paragraph regarding a change in accounting principles.

Internal Control Over Financial Reporting

Management of the Hospital is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Hospital's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 would not necessarily identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance

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

Compliance with Certain Provisions of Iowa Law

The following comments about the Hospital's compliance with certain provisions of Iowa law for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our independent audit of the financial statements of the Hospital for the year ended June 30, 2015. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily examined. In addition, it should be noted that our audit was not directed primarily toward obtaining knowledge of compliance with the following items. Our procedures do not provide a legal determination on the Hospital's compliance with those requirements.

Official Depository Banks

A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2015.

Certified Budget

Budget hearings were held and publications were made in accordance with Chapter 24.9 of the Code of Iowa. Hospital expenditures during the year ended June 30, 2015 did not exceed amounts budgeted.

Questionable Expenditures

We did not note any questionable expenditures that we believe may constitute an unlawful expenditure from public funds or questionable disbursements that may not meet the public purpose requirements as defined in an Attorney General's opinion dated April 25, 1979.

Travel Expense

No expenditures of Hospital money for travel expenses of spouses of Hospital officials were noted. Mileage reimbursement was approved for employees not in excess of the IRS allowable limits.

Business Transactions

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

Commission Minutes

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

Deposits and Investments

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

Unclaimed Property

The Hospital is required to evaluate the need to file an annual report of unclaimed property with the state treasurer in accordance with Chapter 556.11 of the Code of Iowa. We noted no instances of non-compliance with this requirement.

Disbursements for Equipment and Supplies

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

Compensation of Hospital Administrator, Assistants and Employees

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

Internal Revenue Service Information Returns and Outside Services

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

Publication of Bills Allowed and Salaries

Chapter 347.13(14) of the Code of Iowa states “There shall be published quarterly in each of the official newspapers of the county as selected by the board of supervisors pursuant to section 349.1 the schedule of bills allowed and there shall be published annually in such newspapers the schedule of salaries paid by job classification and category ...” The Hospital has sought counsel in this matter and it was determined that the Hospital is not required to publish such items.

Other Matters

We noted certain matters that we reported to the Hospital’s management in a separate letter dated December 14, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or 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.

BKD, LLP

Kansas City, Missouri
December 14, 2015

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedule of Findings and Responses
Year Ended June 30, 2015**

Reference Number

Finding

No matters are reportable.

Board of Commissioners and Management
Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Charles City, Iowa

In planning and performing our audit of the financial statements of Floyd County Memorial Hospital d/b/a Floyd County Medical Center (the Hospital) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the Hospital's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 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.

We observed the following matters that we consider to be deficiencies.

Deficiencies

Segregation of Duties

Segregation of accounting duties is an essential element of effective internal controls, involving the separation of custody of assets from related recording of transactions. Segregation of conflicting duties within the Hospital's accounting department is difficult because of the limited number of personnel. We encourage you to limit, to the extent possible, performance of incompatible duties by individuals in the Hospital's accounting department. To the extent that conflicting duties cannot be fully segregated, management review and oversight becomes the only effective means to mitigate the risk of material misstatement due to fraud or error that results from the conflicts. During our audit, we observed the following individuals having incompatible duties within the financial statement reporting transaction cycles:

Purchases Cycle

- The Data Processing Clerks have the ability to issue and sign checks and have certain recording responsibilities.

Payroll Cycle

- The Personnel Manager and Personnel Assistant have the ability to issue and sign checks and also have recording responsibilities.

Audit Adjustments

During the course of performing the audit, we identified misstatements resulting in audit journal entries to adjust the financial statement amounts. We proposed adjustments to management based on our testing related to accounts payable, investment income and commercial contractual allowances.

We observed matters we considered to be deficiencies that were communicated to management orally.

Other Matters

Although not considered material weaknesses, significant deficiencies or other control deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving accounting controls and the financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements if you require.

Medicare Reimbursement

Certain provisions of the *Federal Government's Budget Control Act of 2011* went into effect on January 1, 2013. Among these are mandatory payment reductions under the Medicare Fee-for-Service program, known as sequestration. *The American Taxpayer Relief Act of 2012* postponed sequestration for two months, but the order was issued by President Obama on March 1, 2013. Under these provisions, Medicare reimbursement was reduced by two percent on all claims with

dates-of-service or dates-of-discharge on or after April 1, 2013. Under current law, sequestration is scheduled to last through 2025. The estimated annual impact of sequestration for the Hospital is \$178,000 for the year ended June 30, 2015. The continuation of these payment cuts for an extended period of time will have an adverse effect on operating results of the Hospital.

Impending Phase 2 Office of Civil Rights HIPAA Audits

In 2011, the U.S. Department of Health and Human Services (HHS) Office for Civil Rights (OCR) was designated to support a pilot audit program. The objectives of these Phase 1 audits were to assess the controls and processes implemented by covered entities under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the Health Information Technology for Economic and Clinical Health Act (HITECH). These regulations were established to require the privacy of protected health information (PHI), the security of electronic PHI and breach notification.

On March 31, 2014, the OCR announced its plan for the Phase 2 audits that will likely be conducted in 2015. For Phase 2, the OCR is revising its audit program to include areas such as security risk assessments, ongoing risk mitigation plans and breach notification procedures. This phase will also include Business Associates, in addition to Covered Entities. Although the timeline of the Phase 2 audits has not been determined, it is imperative that health care organizations be prepared for these examinations.

We recommend that management continue to enhance its current HIPAA program to reduce the risk of PHI breach and develop initiatives that will help to prepare the Hospital for a potential OCR audit. As part of this process, management should address the following areas:

- Perform comprehensive, periodic risk analyses
- Maintain a current catalogue or repository of all business associate arrangements
- Document encryption capabilities
- Maintain updated, reviewed and approved HIPAA program and breach notification policies and procedures
- Document all security training that has been conducted
- Maintain an inventory of all areas, including devices and databases, where PHI is stored

Meeting the Increasing Challenges of Health Care Cybersecurity

The increasing value of electronic protected health information (ePHI) is driving more health care organizations to prepare for the potential of a cyberattack. Increased focus has been placed on the risks around cybersecurity, resulting in Executive Order 13636 “Improving Critical Infrastructure Cybersecurity.” Cybersecurity refers to ways to prevent, detect and respond to attacks or unauthorized access against a computer system and its information. It is critical that organizations apply the principles and best practices of risk management to make critical infrastructure more secure in order to protect this vulnerable information.

The National Institute of Standards and Technology (NIST) has developed a Cybersecurity Framework to assist in this effort. The prioritized, flexible, repeatable and cost-effective approach of the NIST Cybersecurity Framework helps organizations manage cybersecurity-related risk more effectively. Within the framework, five key functions have been identified that are necessary to ensure the confidentiality, integrity and availability of your ePHI digital assets. The functions are as follows:

- **Identify:** Use organizational understanding to minimize risk to systems, assets, data and capabilities.

- **Protect:** Design safeguards to limit the impact of potential events on critical services and infrastructure.
- **Detect:** Implement activities to identify the occurrence of a cybersecurity event.
- **Respond:** Take appropriate action after learning of a security event.
- **Recover:** Plan for resilience and the timely repair of compromised capabilities and services.

We recommend management incorporate the NIST Cybersecurity Framework’s standards, guidelines and practices within the Hospital’s overall HIPAA and Risk Management Program to strengthen overall cybersecurity preparedness. We also recommend management consider performing a cybersecurity assessment to gauge the overall readiness and maturity of existing controls as it relates to this critical area.

New GASB Standards

The Governmental Accounting Standards Board (GASB) has issued several new standards. While most of the new standards will have minimal impact on the Hospital, we have noted below the standards we believe will have the most impact on the Hospital.

- Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – Effective June 30, 2018
- Governmental Accounting Standards Board (GASB) Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State & Local Governments* – Effective June 30, 2016
- GASB Project – Lease Accounting
- GASB Project – Asset Retirement Obligations

Standard Accounting Policies and Procedures

There is little written documentation of accounting or data processing procedures. Internal control is strengthened by identifying and documenting accounting procedures and responsibilities of accounting personnel. This will also be important for the compliance program. We recommend that consideration be given to developing written documentation of controls and procedures to strengthen the Hospital’s ability to continue to operate efficiently in the event of unexpected employee turnover.

* * * * *

This communication is intended solely for the information and use of Management, the Board of Commissioners and others within the Hospital, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Kansas City, Missouri
December 14, 2015