



Financial Statements  
June 30, 2015 and 2014



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An Affiliate of  **UnityPoint Health**

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Greene County Medical Center  
Board of Trustees and Medical Center Officials

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	<u>Board of Trustees</u>	
James Schleisman	Chairperson	December 31, 2016
David Hoyt	Vice Chairperson	December 31, 2018
Ralph Riedesel	Treasurer	December 31, 2018
Judith Sankot	Secretary	December 31, 2016
Kim Bates	Member	December 31, 2020
Douglas Hawn	Member	December 31, 2020
William Raney	Member	December 31, 2016
	<u>Medical Center Officials</u>	
Carl Behne	Chief Executive Officer	
Mark VanderLinden	Chief Financial Officer	



## **Independent Auditor's Report**

The Board of Trustees  
Greene County Medical Center  
Jefferson, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Greene County Medical Center (Medical Center) and its discretely presented component unit, Greene County Medical Center Foundation (Foundation), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Medical Center's financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center and its discretely presented component unit as of June 30, 2015 and 2014 and the changes in its financial position and 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 Notes 1 and 17 to the financial statements, the Medical Center has adopted the provisions of Governmental Auditing Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. In accordance with GASB Statement No. 68, the 2014 financial statements have not been restated to reflect this change. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis on pages 4 through 10, the Budgetary Comparison Information on pages 45 and 46, the Schedule of the Medical Center's Proportionate Share of the Net Pension Liability, the Schedule of the Medical Center's Contributions, and the Schedule of Funding Progress for the Retiree Health Plan on pages 47 through 50 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 16, 2015, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.



Dubuque, Iowa  
November 16, 2015

This discussion and analysis of the financial performance of Greene County Medical Center provides an overall review of the Medical Center's financial activities and balances as of and for the years ended June 30, 2015, 2014, and 2013. The intent of this discussion is to provide further information on the Medical Center's performance as a whole. We encourage readers to consider the information presented here in conjunction with the Medical Center's financial statements, including the notes thereto to enhance their understanding of the Medical Center's financial status.

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

The financial statements are comprised of the statements of net position, statements of revenues, expenses, and changes in net position, and the statements of cash flows. The financial statements also include notes that explain in more detail some of the information in the financial statements. The financial statements are designed to provide readers with a broad overview of the Medical Center's finances.

The Medical Center's financial statements offer short and long term information about its activities. The statements of net position include all of the Medical Center's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to Medical Center creditors (liabilities). The statements of net position also provide the basis for evaluating the capital structure of the Medical Center and assessing the liquidity and financial flexibility of the Medical Center.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net position. These statements measure the success of the Medical Center's operations over the past year and can be used to determine whether the Medical Center has successfully recovered all of its costs through its patient and resident service revenue and other revenue sources. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period.

The final statement is the statements of cash flows. These statements report cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities. They also provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

### **Financial Highlights**

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report the net position of the Medical Center and the changes in it. The Medical Center's net position - the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources - is a way to measure financial health or financial position. Over time, sustained increases or decreases in the Medical Center's net position is one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic condition, population growth, and new or changed governmental legislation should also be considered.

- The Statements of Net Position at June 30, 2015, 2014 and 2013, indicate total assets of \$38,150,374, \$25,699,329, and \$22,938,892, deferred outflows of resources of \$1,152,100, \$0, and \$0, total liabilities of \$24,462,905, \$6,009,343, and \$3,561,132, deferred inflows of resources of \$5,296,762, \$2,147,878, and \$2,321,355, and net position of \$9,542,807, \$17,542,108 and \$17,056,405.

- The Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2015, 2014 and 2013 indicate total operating revenues of \$20,044,011 (increase 0.4%), \$19,966,568 (increase 5.0%), and \$19,009,185 (decrease 5.6%) and total operating expenses of \$23,075,669 (decrease 2.0%), \$23,545,009 (increase 5.6%), and \$22,300,712 (decrease 1.9%), This results in an operating loss of \$3,031,658 for 2015, a 15.1% negative operating margin, an operating loss for 2014 of \$3,578,441, a 17.9% negative operating margin, and an operating loss for 2013 of \$3,291,527, a 17.3% negative operating margin. Net non-operating revenues of \$1,738,393, \$1,490,123, and \$1,691,232 for the years ended June 30, 2015, 2014, and 2013 bring the revenues less than expenses to \$1,293,265 for 2015, \$2,088,318 for 2014 and \$1,600,295 for 2013.
- The Medical Center's current assets exceeded its current liabilities by \$1,644,249 at June 30, 2015, \$3,022,886 at June 30, 2014, and \$6,575,681 at June 30, 2013, providing current ratios of 1.30, 1.68 and 2.93, respectively.
- The Medical Center's net position decreased approximately \$7.999 million, from June 30, 2014 to June 30, 2015, primarily due to the implementation of GASB Statement No. 68 and the restatement of the beginning balance for net pension liability of \$7.620 million.
- The Medical Center's net pension expense decreased approximately \$507,000 as a result of the implementation of GASB Statement No. 68 and the deferral of current year's pension contributions.
- Unrestricted net position (deficit) decreased \$9,142,473 from fiscal year 2014 to fiscal year 2015, which includes the pension liability recognized. Unrestricted net position decreased \$2,636,089 from fiscal year 2013 to fiscal year 2014.
- GASB No. 68, Accounting and Financial Reporting for Pensions was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$7,620,745 to retroactively report the net pension liability as of June 30, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal years 2013 and 2014 for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

### Organization Highlights

Greene County Medical Center continued to make many positive changes over this last fiscal year, including:

- Converted employee health insurance to self-funded
- Implemented EPIC-PB Ambulatory & Matrix Care for LTC computer systems
- Established new clinic programs: spirometry, chest x-rays, wellness screens with finger stick blood draws, and health risk assessments
- Expanded care coordination services, including free evaluation home visits following hospital and emergency room discharge, with increased involvement in multi-disciplinary rounding to ensure seamless transition with community partners
- Implemented Hospitalist services
- Appointed an ACE (Affiliated Covered Entity) member through UnityPoint Health - joined their compliance SharePoint site and HIPPA database
- CEO Carl Behne earned FACHE (Fellow of the American College of Healthcare Executives)
- Employee satisfaction survey results were 4.05 on a scale of 1-5 on the Great Place to Work survey. 212 employees completed the survey, for a 91% response rate.

## Capital Assets

Significant capital asset purchases included:

- Purchased new Digital Radiology Room \$241,000
- Purchased Liebert Smartrow Switch Rack for IT \$141,000
- Updated Emergency Power infrastructure from generator \$82,000
- Purchased Philips Monitoring System infrastructure for Acute \$69,000
- Purchased Philips Gateway software for Monitoring System \$32,000
- New Landscaping – Front addition and Cafeteria patio \$58,000
- New POE Switches for VOIP Phone System \$24,000
- Purchased new Mindray Anesthesia Machine \$42,000
- Purchased John Deere Tractor for Snow Removal \$34,000

## Long-Term Debt

At year end, Greene County Medical Center had \$13,259,377 in short-term and long-term debt, mainly consisting of debt from the new building project, which amounted to \$13,065,517.

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

The Medical Center's Board and Management considered many factors when preparing the fiscal year 2016 budget. Of primary consideration in the 2016 budget are the unknowns of health care reform and the continued difficulty in the status of the economy.

Items listed below were also considered.

- Medicare and Medicaid reimbursement rates
- Managed Care contracts
- Increase in self pay accounts receivable due to uninsured and underinsured
- Staffing benchmarks
- Increased expectations for quality at a lower price

Strategic Initiatives for the Medical Center in 2016 are:

- Service – Improve patient perception on Press Ganey, HCAHPS & Quality scores
- Finance – Create a plan to focus on overall revenue enhancement; creation of a scalable & sustainable cost reduction plan
- Quality – Advance care coordination throughout the Medical Center and communities we serve
- People – Enhance physician alignment and engagement with the Medical Center
- Growth – Create synergy within care coordination, physician-medical center alignment, and patient perception, allowing us to strengthen market position and accomplish our mission

**Condensed Financial Statements**

*Statements of Net Position*

	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	\$ 1,440,407	\$ 2,012,773	\$ 3,357,355
Patient and resident receivables, net of estimated uncollectables	2,887,175	2,887,356	2,892,432
Succeeding year property tax	1,750,893	1,704,539	1,656,346
Electronic health records incentive payment	-	-	886,679
Other assets	<u>1,075,696</u>	<u>888,445</u>	<u>1,182,613</u>
Total current assets	<u>7,154,171</u>	<u>7,493,113</u>	<u>9,975,425</u>
Assets Limited as to Use or Restricted	<u>4,791,530</u>	<u>4,790,978</u>	<u>3,889,426</u>
Capital Assets, Net	<u>26,121,530</u>	<u>13,338,856</u>	<u>8,949,182</u>
Other Assets			
Notes receivable	<u>83,143</u>	<u>76,382</u>	<u>124,859</u>
Total assets	38,150,374	25,699,329	22,938,892
Deferred Outflows of Resources			
Pension related deferred outflows	<u>1,152,100</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u><u>\$ 39,302,474</u></u>	<u><u>\$ 25,699,329</u></u>	<u><u>\$ 22,938,892</u></u>

**Condensed Financial Statements**

*Statements of Net Position (continued)*

	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
Liabilities, Deferred Inflows of Resources, and Net Position			
Current Liabilities			
Current maturities of long-term debt	\$ 64,583	\$ 116,883	\$ 200,959
Accounts payable	2,198,007	1,664,763	455,291
Estimated third-party payor settlements	1,628,000	1,017,893	1,185,504
Accrued expenses	<u>1,619,332</u>	<u>1,670,688</u>	<u>1,557,990</u>
Total current liabilities	<u>5,509,922</u>	<u>4,470,227</u>	<u>3,399,744</u>
Noncurrent Liabilities			
Long-term debt, less current maturities	13,194,794	1,507,802	161,388
Net pension liability	5,695,561	-	-
Net OPEB liability	<u>62,628</u>	<u>31,314</u>	<u>-</u>
Total noncurrent liabilities	<u>18,952,983</u>	<u>1,539,116</u>	<u>161,388</u>
Total liabilities	<u>24,462,905</u>	<u>6,009,343</u>	<u>3,561,132</u>
Deferred Inflows of Resources			
Deferred revenue for succeeding year property tax receivable	1,750,893	1,704,539	1,656,346
Pension related deferred inflows	2,570,664	-	-
Electronic health record incentive	<u>975,205</u>	<u>443,339</u>	<u>665,009</u>
Total deferred inflows of resources	<u>5,296,762</u>	<u>2,147,878</u>	<u>2,321,355</u>
Net Position			
Net investment in capital assets	12,862,153	11,714,171	8,586,835
Restricted	367,652	372,462	378,006
Unrestricted (deficit)	<u>(3,686,998)</u>	<u>5,455,475</u>	<u>8,091,564</u>
Total net position	<u>9,542,807</u>	<u>17,542,108</u>	<u>17,056,405</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 39,302,474</u>	<u>\$ 25,699,329</u>	<u>\$ 22,938,892</u>

Greene County Medical Center  
Management's Discussion and Analysis  
Years Ended June 30, 2015 and 2014

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

	Years Ended June 30,		
	2015	2014	2013
Operating Revenues			
Net patient and resident service revenue (net of provision for bad debts)	\$ 18,614,771	\$ 18,627,833	\$ 17,602,868
Other operating revenues	1,429,240	1,338,735	1,406,317
Total Operating Revenues	<u>20,044,011</u>	<u>19,966,568</u>	<u>19,009,185</u>
Operating Expenses			
Salaries and wages	9,602,750	9,593,102	9,800,009
Supplies and other expenses	11,636,261	12,197,870	10,707,433
Depreciation and amortization	1,836,658	1,754,037	1,793,270
Total Operating Expenses	<u>23,075,669</u>	<u>23,545,009</u>	<u>22,300,712</u>
Operating Loss	<u>(3,031,658)</u>	<u>(3,578,441)</u>	<u>(3,291,527)</u>
Nonoperating Revenues (Expenses)			
County tax revenue	1,719,626	1,662,070	1,621,878
Noncapital grants and contributions	22,742	34,424	52,252
Interest and amortization expense	(5,002)	(210,912)	(7,765)
Investment income	27,645	18,567	13,867
Gain (loss) on disposal of capital assets	(26,618)	(14,026)	11,000
Net Nonoperating Revenues	<u>1,738,393</u>	<u>1,490,123</u>	<u>1,691,232</u>
Revenues Less Than Expenses	(1,293,265)	(2,088,318)	(1,600,295)
Transfer from Greene County	-	-	160,908
Transfers from Foundation	919,519	2,181,788	164,637
Change in Scholarship funds	(4,810)	(5,544)	(4,044)
Capital Grants and Contributions	-	397,777	120,009
Change in Net Position	<u>(378,556)</u>	<u>485,703</u>	<u>(1,158,785)</u>
Net Position Beginning of Year	17,542,108	17,056,405	18,215,190
Restatement	<u>(7,620,745)</u>	<u>-</u>	<u>-</u>
Net Position Beginning of Year, as Restated	<u>9,921,363</u>	<u>17,056,405</u>	<u>18,215,190</u>
Net Position End of Year	<u>\$ 9,542,807</u>	<u>\$ 17,542,108</u>	<u>\$ 17,056,405</u>

## **Summary**

Greene County Medical Center's Governing Board of Trustees continues to be extremely proud of the excellent patient care, dedication, commitment and support each of our 255 employees provides to every person they serve. We would also like to thank each member of the Medical Staff for their dedication and support provided.

## **Contacting the Medical Center's Finance Department**

The Medical Center's financial statements are designed to present users with a general overview of the Medical Center's finances and to demonstrate the Medical Center's accountability. If you have questions about the report or need additional financial information, please contact the finance department at the following address:

Greene County Medical Center  
Attn: Chief Financial Officer  
1000 W. Lincoln Way Street  
Jefferson, IA 50129

	<u>2015</u>	<u>2014</u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents - Note 4	\$ 1,440,407	\$ 2,012,773
Receivables		
Patient and resident, net of estimated uncollectables of \$831,000 in 2015 and \$764,000 in 2014	2,887,175	2,887,356
Succeeding year property tax	1,750,893	1,704,539
Current portion of notes receivable	54,571	96,475
Other	397,554	154,111
Supplies	242,003	238,266
Prepaid expense	381,568	399,593
	<u>7,154,171</u>	<u>7,493,113</u>
<b>Assets Limited as to Use or Restricted - Note 4</b>		
Investments by board for capital improvements	3,423,878	3,418,516
Investments under indenture agreement	1,000,000	1,000,000
Scholarship funds - Note 10		
Cash and investments	308,658	305,459
Loans receivable	58,994	67,003
	<u>4,791,530</u>	<u>4,790,978</u>
<b>Capital Assets - Note 5</b>		
Capital assets not being depreciated	17,409,778	3,605,307
Depreciable capital assets, net of accumulated depreciation	8,711,752	9,733,549
	<u>26,121,530</u>	<u>13,338,856</u>
<b>Other Assets</b>		
Notes receivable	83,143	76,382
	<u>83,143</u>	<u>76,382</u>
<b>Total assets</b>	<b>38,150,374</b>	<b>25,699,329</b>
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows - Note 7	1,152,100	-
	<u>1,152,100</u>	<u>-</u>
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 39,302,474</u></b>	<b><u>\$ 25,699,329</u></b>

See Notes to Financial Statements

Greene County Medical Center  
Statements of Net Position  
June 30, 2015 and 2014

	2015	2014
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Current maturities of long-term debt - Note 9	\$ 64,583	\$ 116,883
Accounts payable		
Trade	517,413	728,552
Construction	1,530,594	936,211
Estimated third-party payor settlements	1,628,000	1,017,893
Estimated health claims - Note 15	150,000	-
Accrued expenses		
Salaries and wages	456,431	451,393
Paid leave	819,642	896,140
Interest	17,095	1,782
Payroll taxes and other	326,164	321,373
	5,509,922	4,470,227
Noncurrent Liabilities		
Long-term debt, less current maturities - Note 9	13,194,794	1,507,802
Net pension liability - Note 7	5,695,561	-
Net OPEB liability - Note 13	62,628	31,314
Total noncurrent liabilities	18,952,983	1,539,116
	24,462,905	6,009,343
Deferred Inflows of Resources		
Deferred revenue for succeeding year property tax receivable	1,750,893	1,704,539
Pension related deferred inflows - Note 7	2,570,664	-
Electronic health record incentive - Note 16	975,205	443,339
	5,296,762	2,147,878
Net Position		
Net investment in capital assets	12,862,153	11,714,171
Restricted		
Scholarship fund - nonexpendable - Note 10	275,000	275,000
Scholarship fund - expendable - Note 10	92,652	97,462
Unrestricted (deficit)	(3,686,998)	5,455,475
	9,542,807	17,542,108
	\$ 39,302,474	\$ 25,699,329

Greene County Medical Center Foundation  
 Statements of Financial Position – Foundation  
 June 30, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,135,805	\$ 375,847
Accounts receivable	51,903	-
Unconditional promises to give - Note 6	137,472	76,219
Investments - Note 3	1,000,345	2,319,189
Total current assets	2,325,525	2,771,255
Investments - Note 3	504,290	300,191
Property and Equipment		
Building	2,678,581	2,678,581
Accumulated depreciation	(1,857,441)	(1,766,203)
Property and equipment, net	821,140	912,378
Unconditional Promises to Give - Note 6	321,537	246,888
Total assets	\$ 3,972,492	\$ 4,230,712
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 380,615	\$ 32,035
Annuity payable	-	6,360
Total liabilities	380,615	38,395
Deferred Revenue - Ever Greene Ridge	630,820	632,505
Estimated Refundable Advance Fees	2,161,198	2,183,698
Total liabilities	3,172,633	2,854,598
Net Assets		
Unrestricted	230,948	943,105
Temporarily restricted - Note 11	568,911	433,009
Total net assets	799,859	1,376,114
Total liabilities and net assets	\$ 3,972,492	\$ 4,230,712

Greene County Medical Center  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Net patient and resident service revenue (net of provision for bad debts of \$320,319 in 2015 and \$517,937 in 2014) - Note 2	\$ 18,614,771	\$ 18,627,833
Other operating revenues	1,429,240	1,338,735
Total Operating Revenues	20,044,011	19,966,568
Operating Expenses		
Salaries and wages	9,602,750	9,593,102
Supplies and other expenses	11,636,261	12,197,870
Depreciation and amortization	1,836,658	1,754,037
Total Operating Expenses	23,075,669	23,545,009
Operating Loss	(3,031,658)	(3,578,441)
Nonoperating Revenues (Expenses)		
County tax revenue	1,719,626	1,662,070
Noncapital grants and contributions	22,742	34,424
Interest, amortization, and financing expense	(5,002)	(210,912)
Investment income	27,645	18,567
Loss on disposal of capital assets	(26,618)	(14,026)
Net Nonoperating Revenues	1,738,393	1,490,123
Revenues Less Than Expenses	(1,293,265)	(2,088,318)
Transfers from Greene County Medical Center Foundation	919,519	2,181,788
Change in Scholarship Funds	(4,810)	(5,544)
Capital Grants and Contributions	-	397,777
Change in Net Position	(378,556)	485,703
Net Position Beginning of Year	17,542,108	17,056,405
Restatement - Note 17	(7,620,745)	-
Net Position Beginning of Year, as Restated	9,921,363	17,056,405
Net Position End of Year	\$ 9,542,807	\$ 17,542,108

Greene County Medical Center Foundation  
Statements of Activities and Changes in Net Assets – Foundation  
Years Ended June 30, 2015 and 2014

	2015	2014
Unrestricted Revenues, Gains, and Other Support		
Contributions	\$ 106,418	\$ 2,831,326
Rent income - Ever Greene Ridge	257,446	-
Other income - Ever Greene Ridge	39,000	-
Amortization of advance fees - Ever Greene Ridge	51,385	62,230
Net investment return - Note 3	13,124	81,557
Net assets released from restriction	302,098	-
	769,471	2,975,113
Expenses		
Salaries and benefits - Note 18	70,341	69,494
Salaries and benefits - Ever Greene Ridge - Note 18	163,862	-
Other expenses - Ever Greene Ridge	199,279	-
Administration and fundraising	31,628	98,365
Depreciation - Ever Greene Ridge	91,238	88,310
Transfers to Greene County Medical Center - Note 18	919,519	2,181,788
Scholarships	5,700	4,000
	1,481,567	2,441,957
Operating Income (Loss)	(712,096)	533,156
Change in Unrealized Gains (Losses) on Investments - Note 3	(61)	167
Change in Unrestricted Net Assets	(712,157)	533,323
Temporarily Restricted Net Assets		
Contributions	438,000	323,107
Net assets released from restriction - Note 11	(302,098)	-
Change in Temporarily Restricted Net Assets	135,902	323,107
Change in Net Assets	(576,255)	856,430
Net Assets, Beginning of Year	1,376,114	519,684
Net Assets, End of Year	\$ 799,859	\$ 1,376,114

Greene County Medical Center  
Statements of Cash Flows  
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Receipts from and on behalf of patients	\$ 19,225,059	\$ 18,465,298
Payment to and on behalf of employees	(9,488,105)	(9,450,872)
Payment to suppliers and contractors	(12,304,589)	(11,577,699)
Other receipts	1,717,663	2,076,627
Net Cash used for Operating Activities	(849,972)	(486,646)
Noncapital Financing Activities		
County tax revenue received	1,719,626	1,662,070
Noncapital grants and contributions	22,742	34,424
Net Cash from Noncapital Financing Activities	1,742,368	1,696,494
Capital and Capital Related Financing Activities		
Purchase of capital assets	(14,637,637)	(6,034,930)
Proceeds from sale of capital assets	7,000	35,575
Increase in construction payable	594,383	859,063
Capital contributions and grants	-	397,777
Proceeds from issuance of long-term debt	11,751,575	1,313,942
Transfers from Foundation	919,519	2,181,788
Cash paid on capital lease obligations	(94,661)	(185,982)
Principal paid on debt	(22,222)	(22,222)
Interest paid on debt	(5,002)	(4,912)
Payment of financing costs	-	(206,000)
Net Cash used for Capital and Capital Related Financing Activities	(1,487,045)	(1,665,901)
Investing Activities		
Purchase of investments under indenture agreement	-	(1,000,000)
Change in investments by board for capital improvements	38,671	(5,448)
Change in scholarship funds	4,148	(4,106)
Investment income	27,645	18,567
Net Cash from (used for) Investing Activities	70,464	(990,987)
Net Change in Cash and Cash Equivalents	(524,185)	(1,447,040)
Cash and Cash Equivalents at Beginning of Year	3,669,257	5,116,297
Cash and Cash Equivalents at End of Year	\$ 3,145,072	\$ 3,669,257

Greene County Medical Center  
Statements of Cash Flows  
Years Ended June 30, 2015 and 2014

	2015	2014
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents in current assets	\$ 1,440,407	\$ 2,012,773
Cash and cash equivalents in designated and restricted assets	1,704,665	1,656,484
Total Cash and Cash Equivalents	\$ 3,145,072	\$ 3,669,257
Reconciliation of Operating Loss to Net Cash Used For Operating Activities		
Operating loss	\$ (3,031,658)	\$ (3,578,441)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities		
Depreciation and amortization	1,836,658	1,754,037
Amortization of notes receivable	35,143	48,477
Provision for bad debts	320,319	517,937
Changes in assets, liabilities, and deferred inflows/outflows of resources		
Receivables	(563,581)	(439,978)
Supplies	(3,737)	6,686
Prepaid expense	18,025	214,599
Accounts payable - trade	(211,139)	350,409
Estimated health claims payable	150,000	-
Estimated third-party payor settlements	610,107	(167,611)
Accrued expenses	(66,669)	110,916
Net pension liability	(2,764,374)	-
Deferred outflows of resources	(312,910)	-
Deferred inflows of resources	2,570,664	-
OPEB liability	31,314	31,314
Electronic health record incentive payment	531,866	665,009
Net Cash used for Operating Activities	\$ (849,972)	\$ (486,646)
Supplemental Disclosure of Capital and Capital Related Financing Activities		
Amounts paid for capitalized interest	\$ 103,212	\$ -
Accounts payable for construction	\$ 1,530,594	\$ 936,211
Equipment financed through capital lease arrangements	\$ -	\$ 156,600

Greene County Medical Center Foundation  
 Statements of Cash Flows – Foundation  
 Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Change in net assets	\$ (576,255)	\$ 856,430
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	91,238	88,310
Amortization of advance fees - Ever Greene Ridge	(51,385)	(62,230)
Property and equipment donation to others	205	13,800
Change in unrealized gains and losses on investments	61	(167)
Changes in assets and liabilities		
Accounts receivable	(51,903)	-
Unconditional promises to give	(135,902)	(323,107)
Deferred revenue - Ever Greene Ridge	49,700	-
Accounts payable	348,580	29,805
Annuity payable	(6,360)	(1,640)
Net Cash from (used for) Operating Activities	(332,021)	601,201
Investing Activities		
Purchase of property and equipment	(205)	(29,276)
Change in investments	1,114,684	(349,644)
Net Cash from (used for) Investing Activities	1,114,479	(378,920)
Financing Activities		
Proceeds received from advance fees	130,200	-
Refunds paid for advance fees	(152,700)	(59,000)
Net Cash used for Financing Activities	(22,500)	(59,000)
Net Change in Cash and Cash Equivalents	759,958	163,281
Cash and Cash Equivalents, Beginning of Year	375,847	212,566
Cash and Cash Equivalents, End of Year	\$ 1,135,805	\$ 375,847

## **Note 1 - Organization and Significant Accounting Policies**

The financial statements of Greene County Medical Center (Medical Center) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Medical Center are described below.

### **Reporting Entity**

The Medical Center is a 25-bed public hospital located in Jefferson, Iowa, organized under Chapter 347 of the Iowa Code and governed by a seven member Board of Trustees elected for alternating terms of six years. The Medical Center primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Jefferson, Iowa, and the surrounding area.

For financial reporting purposes, the Medical Center has included all funds, organizations, agencies, boards, commissions, and authorities. The Medical Center has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Medical Center are such that exclusion would cause the Medical Center's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria included appointing a voting majority of an organization's governing body and (1) the ability of the Medical Center to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Medical Center.

### **Discretely Presented Component Unit**

Greene County Medical Center Foundation (Foundation) is a legally separate component unit of the Medical Center that solicits funds for the promotion of health care throughout Greene County by supporting those activities which carry out the health care missions of Greene County Medical Center. The Foundation also owns Ever Greene Ridge, an independent living community for those age 55 years and older. Beginning July 1, 2014, all operating revenues and expenses of Ever Greene Ridge are now included in the Foundation's financial statements. Prior to July 1, 2014, operating revenues and expenses, other than depreciation expense, were reported on the financial statements of the Medical Center.

The Foundation's financial statements have been included as a discretely presented component unit. The Medical Center does not appoint a voting majority of the Foundation's Board of Directors or in any way impose its will over the Foundation. However, the Foundation is included as a discretely presented component unit due to the nature and significance of its relationship to the Medical Center.

Salaries and benefits for the Foundation are initially paid by the Medical Center and then reimbursed to the Medical Center by the Foundation.

### **Tax Exempt Status**

The Medical Center is exempt from taxes as a political subdivision.

The Foundation is an Iowa non-profit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. The Foundation would be subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose, as applicable.

The Foundation believes that it has appropriate support for any tax positions taken affecting annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

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

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

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

### **Basis of Presentation**

The statement of net position displays the Medical Center's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories/components:

*Net investment in capital assets* consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

*Restricted net position:*

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

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

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Medical Center's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

### **Use of Estimates**

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

### **Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments. Foundation cash and cash equivalents include highly liquid investments with an original maturity of three months or less, except those classified as investments. For purposes of the statement of cash flows, the Medical Center considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

### **Patient and Resident Receivables**

Patient and resident receivables are uncollateralized patient, resident and third-party payor obligations. Unpaid patient and resident receivables are not charged interest on amounts owed. Payments of patient and resident receivables are allocated to specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

Patient and resident accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients and residents who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients and residents (which includes both patients and residents without insurance and patients and residents with deductible and copayment balances for which third-party coverage exists for part of the bill), the Medical Center records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients and residents are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Medical Center's process for calculating the allowance for doubtful accounts for self-pay patients and residents has not significantly changed from June 30, 2014 to June 30, 2015. The Medical Center does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors. The Medical Center has not significantly changed its charity care or uninsured discount policies during fiscal years 2015 or 2014.

### **Property Tax Receivable**

Property tax receivable is recognized on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Trustees to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized by the Medical Center becomes due and collectible in September and March of the fiscal year; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015, and reflects the tax asking contained in the budget certified by the County Auditor in March 2014.

### **Unconditional Promises to Give**

Unconditional promises to give are recognized as contributions when the promise is received. Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value at the date the promise was made. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectibility of individual promises.

### **Supplies**

Supplies are stated at lower of average cost or market and are expensed when used.

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

Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Assets limited as to use or restricted also include investments under indenture agreement and restricted scholarship funds.

Restricted funds are used to differentiate resources, the use of which is restricted by donors or grantors, from resources of general funds on which donors or grantors place no restriction or which arise as a result of the operations of the Medical Center for its stated purposes.

### **Investment Income**

Interest on deposits and investments is included in nonoperating revenues and expenses. Investment income or loss of the Foundation is reported as part of unrestricted revenues unless the income or loss is restricted by donor or law.

### Capital Assets

Capital assets acquisitions in excess of \$5,000 are capitalized and recorded at cost. Capital assets donated for Medical Center operations are recorded as additions to net position at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The estimated useful lives of property and equipment are as follows:

Land Improvements	15-40 years
Buildings and Improvements	15-40 years
Equipment	2-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from revenues less than expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

### 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. The Medical Center's 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.

### Pensions

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

### Compensated Absences

Medical Center employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The cost of projected vacation payouts is recorded as current liability on the statement of net position based on rates of pay in effect at June 30, 2015 and 2014.

### 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.

The Medical Center's three items that qualify for reporting in this category are deferred revenue related to succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, deferred electronic health record incentive amounts that will be recognized as revenue ratably over the life of the qualifying assets, and deferred pension which will not be recognized until charged to pension expense.

#### **Deferred Revenue and Estimated Refundable Advance Fees - Foundation**

The Foundation owns the Ever Greene Ridge building which provides senior living services in conjunction with the Medical Center. The accounting for these transactions is based on guidance related to continuing care retirement communities.

In connection with Ever Greene Ridge, there are various contract types in place with tenants which spell out transfer and refurbishing fees to be earned by the Foundation as well as provisions for when a current tenant wishes to move out and residency in the unit is transferred to a new contract holder. In addition, most contracts contain provisions in the event that a current tenant wishes to move out (terminate their living unit agreement) and an agreement has not been signed with a new resident within a timeframe as noted in the original agreement. At this point, the Foundation shall execute a note payable to the original tenant in an amount based on a percentage of the then current market price of the unit as described in the agreement. The terms of the notes are also described in the individual agreements. As market price can fluctuate, the Foundation has estimated the refundable advance fees based on the provision of the contracts and estimated market values. The remaining portion of the advance fees are recorded as deferred revenue and amortized into revenue over an appropriate period.

#### **Operating Revenues and Expenses**

The Medical Center's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Medical Center's principal activity. Nonexchange revenues, including taxes, interest income, grants, and contributions received for purposes other than capital asset acquisition or to cover operational expenses, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, including depreciation and excluding interest cost.

#### **Net Patient and Resident Service Revenue**

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

The Medical Center recognizes patient and resident service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above. For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated. On the basis of historical experience, a certain portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. As a result, the Medical Center records a provision for bad debts related to uninsured patients in the period the services are provided.

### **Charity Care and Community Benefits**

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of the amounts determined to qualify as charity care, they are not reported as revenue. The amounts of charges foregone for services provided under the Medical Center's charity care policy were \$138,009 and \$237,851 for the years ended June 30, 2015 and 2014. Total direct and indirect costs related to these foregone charges were approximately \$106,000 and \$203,000 at June 30, 2015 and 2014, based on an average ratio of cost to gross charges.

In addition, the Medical Center provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients, and for some services the payments are less than the cost of rendering the services provided.

The Medical Center also commits significant time and resources to endeavors and critical services which meet otherwise unfulfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable.

### **Grants and Contributions**

The Medical Center may receive grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after revenues less than expenses.

### **Electronic Health Record (EHR) Incentives**

The American Recovery and Reinvestment Act of 2009 (ARRA) amended the Social Security Act to establish incentive payments under the Medicare and Medicaid programs for certain hospitals and professionals that meaningfully use certified Electronic Health Records (EHR) technology.

#### *Medicare*

To qualify for the Medicare EHR incentive payments, hospitals and physicians must meet designated EHR meaningful use criteria. In addition, hospitals must attest that they have used certified EHR technology, satisfied the meaningful use objectives, and specify the EHR reporting period. This attestation is subject to audit by the federal government or its designee. The EHR incentive payment to hospitals for each payment year is calculated as a product of (1) allowable costs as defined by the Centers for Medicare & Medicaid Services (CMS) and (2) the Medicare share. For Medicare, once the initial attestation of meaningful use is completed, critical access hospitals receive the entire EHR incentive payment for submitted allowable costs of the respective periods in a lump sum, subject to a final adjustment on the cost report.

The Medical Center recognizes Medicare EHR incentive payments as revenue when there is reasonable assurance that the Medical Center will comply with the conditions attached to the incentive payments. As the entire Medicare EHR incentive payment is received in a lump sum for critical access hospitals and the Medical Center must annually attest to increasingly stringent meaningful use criteria, the Medicare EHR incentive payment is first recognized as deferred revenue with a ratable recognition over the average life of the qualifying assets.

#### *Medicaid*

The Medicaid EHR incentive payments are paid out based on state-specific legislation, and are not to exceed 50% of the entire Medicaid EHR incentive payment in any one year, and 90% of the entire Medicaid EHR incentive payment in any 2-year period. The incentives are paid over a minimum of a 3-year period and a maximum of a 6-year period. To qualify for the first Medicaid EHR incentive payment, the hospital must be in the Adopt, Implement, and Upgrade stages of the meaningful use criteria. To qualify for the second and third Medicaid EHR incentive payments, hospitals must satisfy the meaningful use criteria that are outlined within the Medicare EHR objectives. The Medicaid EHR incentive payments to hospitals for each payment year is calculated as a product of (1) an initial amount; (2) the Medicaid share; and (3) a transition factor applicable to that payment year. The Medical Center recognizes Medicaid EHR incentive payments in the year received.

EHR incentive payments are included in other operating revenue in the accompanying financial statements. The amount of EHR incentive payments recognized are based on management's best estimate and those amounts are subject to change with such changes impacting the period in which they occur.

#### **Financing Costs**

Financing costs are expensed as incurred and included in interest, amortization, and financing expense on the statements of revenues, expenses, and changes in net position.

#### **Advertising Costs**

Costs incurred for producing and distributing advertising are expensed as incurred.

#### **Implementation of GASB Statement No. 68 and GASB Statement No. 71**

As of July 1, 2014 the Medical Center adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires government employers calculate and report the costs and obligations associated with pensions in their financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 17 and the additional disclosures required by these standards are included in Note 7.

**Note 2 - Net Patient and Resident Service Revenue**

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

**Medicare:** The Medical Center is licensed as a Critical Access Hospital (CAH). The Medical Center is reimbursed for most inpatient and outpatient services under a cost reimbursement methodology, with final settlement determined after submission of annual cost reports by the Medical Center and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Medical Center's Medicare cost reports have been audited by the MAC through the year ended June 30, 2013. Clinical services are paid on a cost basis or fixed fee schedule.

**Medicaid (Medical Center):** Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology. The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid fiscal intermediary. The Medical Center's Medicaid cost reports have been processed by the Medicaid fiscal intermediary through June 30, 2013.

**Medicaid (Nursing Care Center):** Routine services rendered to nursing care center residents who are beneficiaries of the Medicaid program are paid according to a schedule of prospectively determined daily rates.

**Other Payors:** The Medical Center has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Medical Center under these agreements may include prospectively determined rates and discounts from established charges.

Concentration of gross revenues by major payor accounted for the following percentages of the Medical Center's patient service revenue for the years ended June 30, 2015 and 2014:

	2015	2014
Medicare	44%	43%
Medicaid	17%	14%
Blue Cross	19%	19%
Other Commercial	9%	12%
Self-Pay	11%	12%
	100%	100%

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient and resident service revenue for the years ended June 30, 2015 and 2014 increased approximately \$46,000 and \$69,000 due to prior-year retroactive adjustments in excess of amounts previously estimated.

The Centers for Medicare and Medicaid Services (CMS) has implemented a Recovery Audit Contractor (RAC) program under which claims are reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential overpayments, some being significant. If selected for audit, the potential exists that the Medical Center may incur a liability for a claims overpayment at a future date. The Medical Center is unable to determine if it will be audited and, if so, the extent of the liability of overpayments, if any. As the outcome of such potential reviews is unknown and cannot be reasonably estimated, it is the Medical Center's policy to adjust revenue for deductions from overpayment amounts or additions from underpayment amounts determined under the RAC audits at the time a change in reimbursement is agreed upon between the Medical Center and CMS.

**Note 3 - Investments and Net Investment Return – Foundation**

Investments for the Foundation for the years ended June 30, 2015 and 2014 consist primarily of certificates of deposit.

Investment income for the Foundation for the years ended June 30, 2015 and 2014 is summarized as follows:

	2015	2014
Net Investment Return		
Interest and dividends	\$ 13,124	\$ 26,371
Realized gain on sale of investments	-	55,186
	\$ 13,124	\$ 81,557
 Change in Unrealized Gains (Losses) on Investments	 \$ (61)	 \$ 167

**Note 4 - Deposits and Investments – Medical Center**

The Medical Center'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.

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

Investments reported by the Medical Center are not subject to risk categorization. Money market accounts and certificates of deposits classified as investments in the financial statements are presented as cash and deposits in this note.

At June 30, 2015 and 2014 the Medical Center's carrying amounts of deposits and investments are as follows:

	<u>2015</u>	<u>2014</u>
Checking and Saving Accounts	\$ 3,145,072	\$ 3,806,834
Certificates of Deposit	3,021,746	2,923,799
Loans Receivable - Restricted Scholarship Funds	58,994	67,003
Interest Receivable	<u>6,125</u>	<u>6,115</u>
 Total Deposits and Investments	 <u><u>\$ 6,231,937</u></u>	 <u><u>\$ 6,803,751</u></u>

Included in the Following Statements of Net Position Captions:

	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$ 1,440,407	\$ 2,012,773
Assets Limited as to Use or Restricted	<u>4,791,530</u>	<u>4,790,978</u>
	<u><u>\$ 6,231,937</u></u>	<u><u>\$ 6,803,751</u></u>

Interest rate risk is the exposure to fair value losses resulting from rising interest rates.

The Medical Center's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Medical Center.

The Medical Center attempts to limit its interest rate risk while investing within the guidelines of its investment policy and Chapter 12C of the Code of Iowa.

Investment income for the Medical Center for the years ended June 30, 2015 and 2014 consists mainly of interest on certificates of deposit and checking/money market accounts.

## Note 5 - Capital Assets

Capital assets activity for the years ended June 30, 2015 and 2014 was as follows:

	June 30, 2014				June 30, 2015
	Balance	Additions	Deductions	Transfers	Balance
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 36,673	\$ -	\$ -	\$ -	\$ 36,673
Construction in progress	3,568,634	14,258,785	-	(454,314)	17,373,105
Total capital assets not being depreciated	<u>3,605,307</u>	<u>14,258,785</u>	<u>-</u>	<u>(454,314)</u>	<u>17,409,778</u>
<b>Capital Assets Being Depreciated:</b>					
Land improvements	866,427	23,063	-	81,760	971,250
Buildings	7,625,479	-	-	20,869	7,646,348
Major moveable equipment	10,308,317	285,772	205,809	351,685	10,739,965
Fixed equipment	9,070,482	94,609	79,283	-	9,085,808
Total capital assets being depreciated	<u>27,870,705</u>	<u>403,444</u>	<u>285,092</u>	<u>454,314</u>	<u>28,443,371</u>
<b>Less Accumulated Depreciation for:</b>					
Land improvements	467,493	37,682	-	-	505,175
Buildings	4,684,763	212,242	-	-	4,897,005
Major moveable equipment	5,818,007	1,296,841	173,484	-	6,941,364
Fixed equipment	7,166,893	289,893	68,711	-	7,388,075
Total accumulated depreciation	<u>18,137,156</u>	<u>1,836,658</u>	<u>242,195</u>	<u>-</u>	<u>19,731,619</u>
Total Capital Assets Being Depreciated, Net	<u>9,733,549</u>	<u>(1,433,214)</u>	<u>42,897</u>	<u>454,314</u>	<u>8,711,752</u>
Total Capital Assets, Net	<u>\$ 13,338,856</u>	<u>\$ 12,825,571</u>	<u>\$ 42,897</u>	<u>\$ -</u>	<u>\$ 26,121,530</u>
	June 30, 2013				June 30, 2014
	Balance	Additions	Deductions	Transfers	Balance
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 36,673	\$ -	\$ -	\$ -	\$ 36,673
Construction in progress	457,781	5,317,146	-	(2,206,293)	3,568,634
Total capital assets not being depreciated	<u>494,454</u>	<u>5,317,146</u>	<u>-</u>	<u>(2,206,293)</u>	<u>3,605,307</u>
<b>Capital Assets Being Depreciated:</b>					
Land improvements	586,933	-	-	279,494	866,427
Buildings	7,911,418	-	528,443	242,504	7,625,479
Major moveable equipment	7,897,624	878,892	134,684	1,666,485	10,308,317
Fixed equipment	9,108,416	-	55,744	17,810	9,070,482
Total capital assets being depreciated	<u>25,504,391</u>	<u>878,892</u>	<u>718,871</u>	<u>2,206,293</u>	<u>27,870,705</u>
<b>Less Accumulated Depreciation for:</b>					
Land improvements	449,246	18,247	-	-	467,493
Buildings	4,997,246	207,127	519,610	-	4,684,763
Major moveable equipment	4,731,522	1,183,897	97,412	-	5,818,007
Fixed equipment	6,871,649	344,769	49,525	-	7,166,893
Total accumulated depreciation	<u>17,049,663</u>	<u>1,754,040</u>	<u>666,547</u>	<u>-</u>	<u>18,137,156</u>
Total Capital Assets Being Depreciated, Net	<u>8,454,728</u>	<u>(875,148)</u>	<u>52,324</u>	<u>2,206,293</u>	<u>9,733,549</u>
Total Capital Assets, Net	<u>\$ 8,949,182</u>	<u>\$ 4,441,998</u>	<u>\$ 52,324</u>	<u>\$ -</u>	<u>\$ 13,338,856</u>

Construction in progress at June 30, 2015 primarily represents costs incurred for the hospital building / remodel project which is expected be completed by June 2016. The total expected cost of the project is \$22,500,000 and is being financed through both debt proceeds and operations.

**Note 6 - Unconditional Promises to Give**

Unconditional promises to give are due as follows for the Foundation as of June 30, 2015 and 2014:

	2015	2014
Current Unconditional Promises to Give	\$ 155,349	\$ 91,645
Amounts Receivable in One to Five Years	391,480	297,535
	546,829	389,180
Less discount to net present value (4% discount rate)	(44,770)	(29,073)
Less allowance for uncollectible amounts	(43,050)	(37,000)
	\$ 459,009	\$ 323,107

Unconditional promises to give are included on the Statements of Financial Position - Foundation as follows:

	2015	2014
Current Assets	\$ 137,472	\$ 76,219
Other Assets	321,537	246,888
	\$ 459,009	\$ 323,107

**Note 7 - Pension Plan**

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

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

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

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

If a member retires before normal retirement age, the member’s monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member’s earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent 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 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 and 2014, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Medical Center contributed 8.93 percent for a total rate of 14.88 percent. In fiscal year 2013, pursuant to the required rate, Regular members contributed 5.78% of pay and the Medical Center contributed 8.67% for a total rate of 14.45%.

The Medical Center's contributions to IPERS for the year ended June 30, 2015, 2014, and 2013 were \$838,842, \$839,190, and 838,944.

*Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2015, the Medical Center reported a liability of \$5,695,561 for its proportionate share of the net pension liability. The Medical Center 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 Medical Center's proportion of the net pension liability was based on the Medical Center's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Medical Center's proportion was 0.143613 percent, which was a decrease of 0.003729 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Medical Center recognized pension expense of \$332,222. At June 30, 2015, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 61,900	\$ -
Changes of Assumptions	251,358	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	2,172,123
Changes in Proportion and Differences Between Medical Center's Contributions and Proportionate Share of Contributions	-	398,541
Medical Center Contributions Subsequent to the Measurement Date	838,842	-
Total	\$ 1,152,100	\$ 2,570,664

The \$838,842 reported as deferred outflows of resources related to pensions resulting from the Medical Center's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Amount
2016	\$ (562,956)
2017	(562,956)
2018	(562,956)
2019	(562,956)
2020	(5,582)
	\$ (2,257,406)

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:

Rate of Inflation (Effective June 30, 2014)	3.00 percent
Salary increases (Effective June 30, 2010)	4.00 to 17.00 percent average, including inflation. Rates vary by membership group.
Investment rate of return (Effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan, investment expense, including inflation

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core-Plus Fixed Income	28%	2.06%
Domestic Equity	23%	6.31%
International Equity	15%	6.76%
Private Equity/Debt	13%	11.34%
Real Estate	8%	3.52%
Credit Opportunities	5%	3.67%
U.S. TIPS	5%	1.92%
Other Real Assets	2%	6.27%
Cash	1%	(.69%)
	<u>100%</u>	

*Discount Rate* - The discount rate used to measure the total pension liability was 7.5 percent. 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 Medical Center will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Medical Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following presents the Medical Center's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Medical Center'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 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Medical Center's Proportionate Share of the Net Pension Liability	\$ 10,761,603	\$ 5,695,561	\$ 1,419,297

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

*Payables to the Pension Plan* - At June 30, 2015, the Medical Center reported payables to the defined benefit pension plan of \$212,444 for legally required employer contributions not yet remitted to IPERS which is included in accrued payroll taxes and other on the statements of net position.

**Note 8 - Leases**

The Medical Center leases certain equipment under noncancelable long-term lease agreements. Total lease expense for the years ended June 30, 2015 and 2014 for all operating leases was \$100,445 and \$51,060. Capitalized leased assets consist of:

	2015	2014
Major Movable Equipment	\$ 156,600	\$ 682,434
Less accumulated amortization	(27,964)	(461,316)
	\$ 128,636	\$ 221,118

Minimum future lease payments for the capital leases are as follows:

Years Ending June 30,	Capital Leases
2016	\$ 33,960
2017	33,960
2018	33,960
2019	25,470
Total Minimum Lease Payments	127,350
Less interest	(7,565)
Present Value of Minimum Lease Payments - Note 9	\$ 119,785

**Note 9 - Long-Term Debt**

A summary of changes in the Medical Center's long-term debt for 2015 and 2014 is as follows:

	June 30, 2014 Balance	Additions	Payments	June 30, 2015 Balance	Amounts Due Within One Year
Rural Economic Development Loan (A)	\$ 96,297	\$ -	\$ 22,222	\$ 74,075	\$ 22,222
Revenue bond anticipation project note (Series 2014C), rate currently 1.65%, maturity on June 1, 2016 (B)	98,000	26,852	-	124,852	172
Revenue bond anticipation project note (Series 2013), rate currently 1.65%, maturity on June 1, 2016 (C)	1,215,942	8,784,058	-	10,000,000	9,003
Revenue bond anticipation project note (Series 2014A), rate currently 1.65%, maturity on June 1, 2016 (D)	-	2,940,665	-	2,940,665	2,647
Capitalized Lease Obligations - Note 8	214,446	-	94,661	119,785	30,539
Total Long-Term Debt	<u>\$ 1,624,685</u>	<u>\$ 11,751,575</u>	<u>\$ 116,883</u>	13,259,377	<u>\$ 64,583</u>
Less Current Maturities				<u>(64,583)</u>	
Long-Term Debt, Less Current Maturities				<u>\$ 13,194,794</u>	

Greene County Medical Center  
Notes to Financial Statements  
June 30, 2015 and 2014

	June 30, 2013 Balance	Additions	Payments	June 30, 2014 Balance	Amounts Due Within One Year
Rural Economic Development Loan (A)	\$ 118,519	\$ -	\$ 22,222	\$ 96,297	\$ 22,222
Revenue bond anticipation project note (Series 2014C), rate currently 1.65%, maturity on June 1, 2016 (B)	-	98,000	-	98,000	-
Revenue bond anticipation project note (Series 2013), rate currently 1.65%, maturity on June 1, 2016 (C)	-	1,215,942	-	1,215,942	-
Capitalized Lease Obligations - Note 8	<u>243,828</u>	<u>156,600</u>	<u>185,982</u>	<u>214,446</u>	<u>94,661</u>
Total Long-Term Debt	<u>\$ 362,347</u>	<u>\$ 1,470,542</u>	<u>\$ 208,204</u>	1,624,685	<u>\$ 116,883</u>
Less Current Maturities				(116,883)	
Long-Term Debt, Less Current Maturities				<u>\$ 1,507,802</u>	

- (A) The Medical Center borrowed \$200,000 through Midland Power Cooperative under the Rural Economic Development Loan and Grant Program in October 2008. The loan is non-interest bearing and is due in monthly installments of \$1,852 for 108 months beginning October 2009 through September 2018. The loan is collateralized by a pledge of the Medical Center's net revenues.
- (B) During the year ended June 30, 2014, the Medical Center, for its building project, issued Series 2014C Hospital Revenue Bond Anticipation Project Note for a total issuance up to \$200,000 at 1.65% during construction. Interest is due semi-annually through June 1, 2016. On June 1, 2016, the anticipation project note will be replaced with permanent financing. This loan is not guaranteed by USDA.
- (C) During the year ended June 30, 2014, the Medical Center, for its building project, issued Series 2013 Hospital Revenue Bond Anticipation Project Note for a total issuance up to \$10,000,000 at 1.65% during construction. Interest is due semi-annually through June 1, 2016. On June 1, 2016, this anticipation note will be replaced with an USDA Direct Loan.
- (D) During the year ended June 30, 2015, the Medical Center, for its building project, issued Series 2014A Hospital Revenue Bond Anticipation Project Note for a total issuance up to \$8,000,000 at 1.65% during construction. Interest is due semi-annually through June 1, 2016. On June 1, 2016, this anticipation note will be replaced with an USDA Direct Loan.

In addition to items (B), (C) and (D) above, the Medical Center will also issue, as part of its building project, Hospital Revenue Bond Anticipation Project Note 2014B for a total issuance up to \$1,800,000.

Maturities of long-term debt were determined based on estimated debt terms once permanent financing is obtained.

*Interest Costs*

	2015	2014
Interest Costs		
Capitalized as part of construction project	\$ 103,212	\$ 4,629
Recognized as interest expense	5,002	4,912
Total	\$ 108,214	\$ 9,541

Long-term debt maturities are as follows:

Years Ending June 30,	Principal	Interest	Total
2016	\$ 64,583	\$ 241,918	\$ 306,501
2017	198,547	490,080	688,627
2018	205,116	483,511	688,627
2019	188,603	476,719	665,322
2020	162,031	470,414	632,445
2021-2025	907,945	2,254,280	3,162,225
2026-2030	1,095,285	2,066,940	3,162,225
2031-2035	1,321,293	1,840,932	3,162,225
2036-2040	1,593,953	1,568,272	3,162,225
2041-2045	1,922,896	1,234,360	3,157,256
2046-2050	2,280,331	845,042	3,125,373
2051-2055	2,749,800	375,573	3,125,373
2056	568,994	10,604	579,598
Total	\$ 13,259,377	\$ 12,358,645	\$ 25,618,022

Subsequent to year end, the Medical Center committed to a capital lease obligation in the amount of \$278,086 for equipment with a term of 60 monthly payments at \$7,318 and imputed interest rate of 1.64%.

**Note 10 - Scholarship Funds**

Restricted net position consists of funds for healthcare occupation student loans and scholarships. Expendable and nonexpendable funds at June 30, 2015 and 2014 are as follows:

	2015	2014
Restricted Expendable Net Position	\$ 92,652	\$ 97,462
Restricted Nonexpendable Net Position	275,000	275,000
	\$ 367,652	\$ 372,462

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

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

Restricted nonexpendable net position as of June 30, 2015 and 2014 represents the principal amounts of permanent endowments, restricted to investment in perpetuity. Investment earnings from the Medical Center's permanent endowments are expendable to support these programs as established by the contributor.

**Note 11 - Temporarily Restricted Net Assets - Foundation**

Temporarily restricted net assets are available for the following purposes at June 30, 2015 and 2014:

	2015	2014
Unconditional promises to give (time restriction)	\$ 459,009	\$ 323,107
Retention of Greene County Medical Center Rehabilitation Department Employees	109,902	109,902
	\$ 568,911	\$ 433,009

Net assets of \$302,098 and \$0 were released from restrictions due to expiration of time restrictions during the years ended June 30, 2015 and 2014.

**Note 12 - Functional Expenses - Foundation**

The Foundation solicits funds for the promotion of health care throughout Greene County by supporting those activities which carry out the health care missions of Greene County Medical Center. Expenses related to providing these services by functional class for the years ended June 30, 2015 and 2014 are as follows:

	2015	2014
Program Services	\$ 1,379,598	\$ 2,274,098
Fundraising	23,608	94,881
Management and General	78,361	72,978
	\$ 1,481,567	\$ 2,441,957

**Note 13 - Other Postemployment Benefits (OPEB)**

*Plan Description* – The Medical Center operates a single-employer retiree benefit plan which provides medical and prescription benefits to retired employees and their dependents. There are 213 active and 3 retired members in the Plan. Participants must be age 55 or older at retirement. The Plan does not issue a stand-alone financial report. The medical coverage, which is a self-funded medical plan, is administered by a third party administrator, First Administrators.

*Funding Policy* – The Medical Center does not contribute to the cost of premiums for eligible retired plan members and their spouses. Because the actual cost for retirees is higher than the average per person premium for the entire group, the difference gives rise to an implicit rate subsidy. The Medical Center pays the difference between the actual and apparent cost. Qualified employees may choose to participate in the Medical Center’s insurance plan after retirement, with no contribution from the Medical Center. The contribution requirements of plan members are established and may be amended by the Medical Center. The Medical Center currently finances the retiree benefit plan on a pay-as-you-go basis.

*Annual OPEB Cost and Net OPEB Obligation* – The Medical Center’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the Medical Center, an amount that is actuarially determined. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Medical Center’s annual OPEB cost for the years ended June 30, 2015 and 2014, the amount actually contributed to the Plan and changes in the Medical Center’s net OPEB obligation:

	2015	2014
Annual Required Contribution	\$ 54,028	\$ 54,028
Interest on Net OPEB Obligation	-	-
Adjustments to Annual Required Contribution	-	-
Annual OPEB cost	54,028	54,028
Net Contributions Made	22,714	22,714
Increase in net OPEB obligation	31,314	31,314
Net OPEB Obligation, Beginning of Year	31,314	-
Net OPEB Obligation, End of Year	\$ 62,628	\$ 31,314

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2014. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the years ended June 30, 2015 and 2014.

For the years ended June 30, 2015 and 2014, the Medical Center contributed \$22,714, each year to the medical plan. Plan members eligible for benefits contributed approximately \$34,000 in 2015 and 2014 or 100% of the premium costs.

The Medical Center's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2015 and 2014 are summarized as follows:

Years Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 54,028	42%	\$ 62,628
2014	\$ 54,028	42%	\$ 31,314

*Funded Status and Funding Progress* – As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$445,199, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$455,199. The covered payroll (annual payroll of active employees covered by the Plan) was approximately \$8,627,054 and the ratio of the UAAL to covered payroll was 5.3%. As of June 30, 2015, there were no trust fund assets.

*Actuarial Methods and Assumptions* – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the Plan as understood by the employer and the Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2013 actuarial valuation date, the Projected Unit Credit with linear proration to decrement cost method was used. The actuarial assumptions include a 4.5% discount rate based on the Medical Center's funding policy. The projected annual health care trend rate is 10%. The ultimate health care trend rate is 5%. The health care trend rate is reduced .5% each year until reaching the 5% ultimate medical trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

Mortality rates are from the RP-2014 Combined Mortality Fully Generational Table.

Projected claim costs of the medical plan are \$617 and \$656 for single Blue Access HMO and Alliance Select PPO, and \$1,269 and \$1,350 for family Blue Access HMO and Alliance Select PPO, per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 14 - Concentration of Credit Risk**

The Medical Center grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors, patients, and residents at June 30, 2015 and 2014 was as follows:

	2015	2014
Medicare	33%	31%
Medicaid	14%	15%
Blue Cross	14%	18%
Other Commerical Insurance	17%	13%
Other Third-Party Payors, Patients, and Residents	22%	23%
	100%	100%

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be credit worthy. At times, amounts on deposit may exceed insured limits. To date, the Foundation has not experienced any losses in any of these accounts.

**Note 15 - Contingencies**

**Risk Management**

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

**Malpractice Insurance**

The Medical Center has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

**Self-Funded Employee Health Insurance Plan**

The Medical Center has a self-funded employee health insurance plan covering substantially all eligible employees and dependents which began January 1, 2015. The plan is responsible to pay all administrative expenses and benefits up to the reinsurance limits and has a stop-loss limit of \$75,000 per individual. A liability of \$150,000 has been recorded to recognize the estimated incurred but not reported claims outstanding at June 30, 2015. Changes in the balance of claims liabilities during the past year is as follows:

Year	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2015	\$ -	\$ 732,295	\$ (582,295)	\$ 150,000

**Litigations, Claims, and Disputes**

The Medical Center is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Medical Center.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient and resident services.

**Note 16 - Electronic Health Record Incentive Payments**

The Medical Center has received lump sum incentive payments related to Medicare EHR and is recognizing the revenue ratably over the life of the related qualifying assets. As a result, the Medical Center recognized revenue of \$477,791 and \$221,670 for the years ended June 30, 2015 and 2014 as other operating revenue. The remaining deferred inflow of resources of \$975,205 related to EHR incentive payments at June 30, 2015, will be recognized as income over the remaining life of the related assets.

The Medical Center recognized revenue of \$77,224 and \$167,760 during the years ended June 30, 2015 and 2014 related to Medicaid EHR incentive payments received. The incentive payments are included in other operating revenue in the accompanying financial statements. The \$387,624 of the Medicaid EHR received to date represents 100% of the potential benefit to be received from the State of Iowa Medicaid program.

**Note 17 - Adoption of Accounting Standards**

As of July 1, 2014 the Medical Center adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. 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 GASB Statement No. 71. 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:

	Net Position
Net Position June 30, 2014, as Previously Reported	\$ 17,542,108
Net Pension Liability at June 30, 2014	(8,459,935)
Deferred Outflows of Resources Related to Contributions Made After July 30, 2013 Measurement Date	839,190
Net Position July 1, 2014 as Restated	\$ 9,921,363

**Note 18 - Related Party Transactions**

The Medical Center and the Foundation are related through a common mission and thus the activities of the organizations are closely connected. During the year, the Foundation provided assistance to the Medical Center through the form of gifts, grants and bequests.

The following summarizes transactions between the Foundation and the Medical Center during the years ended June 30, 2015 and 2014:

	2015	2014
Salary and Benefits Reimbursement from the Foundation to the Medical Center (Ever Greene Ridge and other)	\$ 234,203	\$ 69,494
Gifts, Grants and Bequests from the Foundation to the Medical Center	\$ 919,519	\$ 2,181,788

At June 30, 2015 and 2014, the Medical Center has a receivable from the Foundation in the amount of \$319,967 and \$2,658.



Required Supplementary Information  
June 30, 2015



**Greene County Medical Center**  
**Budgetary Comparison Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual**  
**(Cash Basis)**  
**Required Supplementary Information**  
**Year Ended June 30, 2015**

	Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Adopted Budget	Variance Favorable (Unfavorable)
Estimated Amount to be Raised by Taxation	\$ 1,719,626	\$ -	\$ 1,719,626	\$ 1,704,539	\$ 15,087
Estimated Other Revenues/Receipts	<u>20,987,299</u>	<u>12,675,955</u>	<u>33,663,254</u>	<u>42,303,839</u>	<u>(8,640,585)</u>
	22,706,925	12,675,955	35,382,880	44,008,378	(8,625,498)
Expenses/Disbursements	<u>23,085,481</u>	<u>12,861,204</u>	<u>35,946,685</u>	<u>44,011,543</u>	<u>8,064,858</u>
Net	<u>(378,556)</u>	<u>(185,249)</u>	<u>(563,805)</u>	<u>(3,165)</u>	<u>\$ (560,640)</u>
Balance Beginning of Year	17,542,108	(10,805,360)	6,736,748	18,159,634	
Restatement	<u>(7,620,745)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Net Position Beginning of Year, as Restated	<u>9,921,363</u>	<u>(10,805,360)</u>	<u>6,736,748</u>	<u>18,159,634</u>	
Balance End of Year	<u>\$ 9,542,807</u>	<u>\$ (10,990,609)</u>	<u>\$ 6,172,943</u>	<u>\$ 18,156,469</u>	

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

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Medical Center on the cash basis following required public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The Board of Trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures. The budget was not amended during the year ended June 30, 2015.

For the year ended June 30, 2015, the Medical Center's expenditures did not exceed the adopted amount budgeted.

Greene County Medical Center  
 Schedule of the Medical Center's Proportionate Share of the Net Pension Liability  
 Required Supplementary Information  
 June 30, 2015

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	2015
Medical Center's Proportion of the Net Pension Liability	0.143613%
Medical Center's Proportionate Share of the Net Pension Liability	5,695,561
Medical Center's Covered-Employee Payroll	9,397,429
Medical Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	60.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%

The amounts reported are measured as of June 30, 2014 (measurement date).

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Medical Center will present information for those years for which information is available.

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	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 838,842	\$ 839,190	\$ 837,843	\$ 810,214
Contributions in relation to the statutorily required contribution	<u>(838,842)</u>	<u>(839,190)</u>	<u>(837,843)</u>	<u>(810,214)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Medical Center's covered-employee payroll	\$ 9,393,527	\$ 9,397,429	\$ 9,652,564	\$ 10,027,401
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

Greene County Medical Center  
Schedule of the Medical Center's Contributions  
Required Supplementary Information  
Year Ended June 30, 2015

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 658,500	\$ 583,200	\$ 523,100	\$ 494,600	\$ 472,200	\$ 448,700
<u>(658,500)</u>	<u>(583,200)</u>	<u>(523,100)</u>	<u>(494,600)</u>	<u>(472,200)</u>	<u>(448,700)</u>
<u>\$ -</u>					
\$ 9,488,473	\$ 8,783,133	\$ 8,237,745	\$ 8,161,716	\$ 8,240,838	\$ 7,803,470
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

*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 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

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

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

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent 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 Unfunded Actuarial Liability (UAL) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

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

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 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Greene County Medical Center  
Schedule of Funding Progress for the Retiree Health Plan  
June 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
2015	07/01/13	\$ -	\$ 455,199	\$ 455,199	0.0%	\$ 8,630,000	5.3%
2014	07/01/13	\$ -	\$ 455,199	\$ 455,199	0.0%	\$ 8,627,000	5.3%

**Other Postemployment Benefits (OPEB)**

See Note 13 in the accompanying Notes to the Financial Statements for the plan description, funding policy, and annual OPEB cost, net OPEB obligation, funded status, and funding progress.



Other Supplementary Information  
June 30, 2015 and 2014





CPAs & BUSINESS ADVISORS

## Independent Auditor's Report on Supplementary Information

The Board of Trustees  
Greene County Medical Center  
Jefferson, Iowa

We have audited the financial statements of Greene County Medical Center (Medical Center), and its discretely presented component unit, Greene County Medical Center Foundation, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, and our report thereon dated November 16, 2015, which expressed an unmodified opinion on those financial statements, appears on pages 2 through 3. Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of net patient and resident service revenue, other operating revenues, operating expenses and supplies and prepaid expense are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of net patient and resident service revenue, other operating revenues, operating expenses and supplies and prepaid expenses and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole. The schedules of patient and resident receivables, allowance for doubtful accounts, collection statistics, schedule of insurance in force at June 30, 2015, and statistical information, which are the responsibility of management, have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa  
November 16, 2015

Greene County Medical Center  
Schedules of Net Patient and Resident Service Revenue  
Years Ended June 30, 2015 and 2014

	2015	2014
Patient and Resident Service Revenue		
Adults and pediatrics	\$ 1,872,380	\$ 1,650,333
Delivery and labor rooms	132,269	199,750
Operating and recovery rooms	2,937,969	2,689,735
Medical supplies	1,714,944	1,815,966
Emergency services	3,336,780	2,744,305
Laboratory and blood bank	2,873,588	3,228,230
Cardiac rehab	622,116	271,689
Radiology	3,960,027	3,357,188
Pharmacy	1,800,484	1,748,448
Anesthesiology	747,512	693,901
Respiratory therapy	504,946	838,209
Physical therapy	1,667,677	1,272,429
Speech therapy	34,751	68,697
Occupational therapy	674,361	364,072
Diabetic education	154,119	161,940
Clinic	1,719,086	1,414,793
Public health	356,955	648,187
Long term care	3,022,890	3,075,651
	28,132,854	26,243,523
Charity care	(138,009)	(237,851)
Total patient and resident service revenue	\$ 27,994,845	\$ 26,005,672
Total Patient and Resident Service Revenue		
Inpatient revenue	\$ 12,385,573	\$ 10,156,351
Outpatient revenue	15,747,281	16,087,172
Charity care	(138,009)	(237,851)
Total patient and resident service revenue	27,994,845	26,005,672
Contractual Adjustments	(9,059,755)	(6,859,902)
Net Patient and Resident Service Revenue	18,935,090	19,145,770
Provision for Bad Debts	(320,319)	(517,937)
Net Patient and Resident Service Revenue (Net of Provision for Bad Debts)	\$ 18,614,771	\$ 18,627,833

Greene County Medical Center  
Schedules of Other Operating Revenues  
Years Ended June 30, 2015 and 2014

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	2015	2014
Other Operating Revenues		
Electronic health record incentive	\$ 555,015	\$ 389,430
Public health grants	305,442	323,457
Broadband technology opportunities program (BTOP) grant	-	143,197
Hospital/Program fees	153,141	122,946
Rental revenue	118,038	128,006
Dietary sales	113,306	113,541
Other revenue from Ever Greene Ridge	73,994	68,088
Purchase rebates	55,452	14,039
Other grants	17,409	19,307
Other	37,443	16,724
 Total Other Operating Revenues	 \$ 1,429,240	 \$ 1,338,735

Greene County Medical Center  
Schedules of Operating Expenses  
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Routine Services and Nursing Administration		
Salaries and wages	\$ 1,332,316	\$ 1,548,904
Supplies and other expenses	<u>206,334</u>	<u>124,240</u>
	<u>1,538,650</u>	<u>1,673,144</u>
Nursery		
Salaries and wages	<u>16,641</u>	<u>11,783</u>
Delivery and Labor Rooms		
Salaries and wages	<u>11,667</u>	<u>11,169</u>
Operating and Recovery Rooms		
Salaries and wages	423,269	392,137
Supplies and other expenses	<u>278,623</u>	<u>288,200</u>
	<u>701,892</u>	<u>680,337</u>
Medical Supplies		
Salaries and wages	102,607	94,948
Supplies and other expenses	<u>824,302</u>	<u>1,058,723</u>
	<u>926,909</u>	<u>1,153,671</u>
Emergency Services		
Salaries and wages	408,391	335,056
Supplies and other expenses	<u>1,140,007</u>	<u>1,061,904</u>
	<u>1,548,398</u>	<u>1,396,960</u>
Laboratory and Blood Bank		
Salaries and wages	320,960	334,497
Supplies and other expenses	<u>357,290</u>	<u>404,497</u>
	<u>678,250</u>	<u>738,994</u>
Electrocardiology		
Supplies and other expenses	<u>-</u>	<u>8,016</u>
Cardiac Rehabilitation		
Salaries and wages	59,472	34,012
Supplies and other expenses	<u>75,021</u>	<u>10,509</u>
	<u>134,493</u>	<u>44,521</u>
Specialty Clinics		
Salaries and wages	100,935	-
Supplies and other expenses	<u>7,909</u>	<u>-</u>
	<u>108,844</u>	<u>-</u>

Greene County Medical Center  
Schedules of Operating Expenses  
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Radiology		
Salaries and wages	\$ 376,640	\$ 378,278
Supplies and other expenses	<u>357,729</u>	<u>397,372</u>
	<u>734,369</u>	<u>775,650</u>
Pharmacy		
Salaries and wages	235,951	239,221
Supplies and other expenses	<u>195,725</u>	<u>203,264</u>
	<u>431,676</u>	<u>442,485</u>
Anesthesiology		
Supplies and other expenses	<u>519,049</u>	<u>518,947</u>
Respiratory Therapy		
Salaries and wages	117,276	144,800
Supplies and other expenses	<u>74,807</u>	<u>130,836</u>
	<u>192,083</u>	<u>275,636</u>
Physical Therapy		
Supplies and other expenses	<u>678,151</u>	<u>516,160</u>
Speech Therapy		
Supplies and other expenses	<u>16,657</u>	<u>32,319</u>
Occupational Therapy		
Salaries and wages	56,789	45,912
Supplies and other expenses	<u>283,129</u>	<u>166,129</u>
	<u>339,918</u>	<u>212,041</u>
Long Term Care		
Salaries and wages	1,296,979	1,198,741
Supplies and other expenses	<u>149,018</u>	<u>176,908</u>
	<u>1,445,997</u>	<u>1,375,649</u>
Ever Greene Ridge		
Supplies and other expenses	<u>9,090</u>	<u>88,078</u>
Medical Office Building		
Supplies and other expenses	<u>155,324</u>	<u>322,958</u>
Clinic		
Salaries and wages	868,220	904,615
Supplies and other expenses	<u>125,993</u>	<u>107,025</u>
	<u>994,213</u>	<u>1,011,640</u>

Greene County Medical Center  
Schedules of Operating Expenses  
Years Ended June 30, 2015 and 2014

	2015	2014
Public Health		
Salaries and wages	\$ 602,200	\$ 744,952
Supplies and other expenses	147,910	200,397
	750,110	945,349
Diabetic Education		
Salaries and wages	129,123	118,757
Supplies and other expenses	16,578	8,834
	145,701	127,591
Medical Records		
Salaries and wages	322,606	313,331
Supplies and other expenses	8,218	27,623
	330,824	340,954
Dietary		
Salaries and wages	594,707	583,199
Supplies and other expenses	372,392	377,266
	967,099	960,465
Plant Operation and Maintenance		
Salaries and wages	337,267	318,632
Supplies and other expenses	691,116	596,009
	1,028,383	914,641
Housekeeping		
Salaries and wages	403,163	360,560
Supplies and other expenses	78,561	70,677
	481,724	431,237
Laundry		
Salaries and wages	73,233	87,544
Supplies and other expenses	102,084	99,878
	175,317	187,422
Administrative Services		
Salaries and wages	1,412,338	1,392,054
Supplies and other expenses	2,075,590	1,824,663
	3,487,928	3,216,717
Unassigned Expenses		
Depreciation and amortization	1,836,658	1,754,037
Insurance	178,081	160,548
Employee benefits	2,511,573	3,215,890
	4,526,312	5,130,475
Total Operating Expenses	\$ 23,075,669	\$ 23,545,009

**Greene County Medical Center**

Schedules of Patient and Resident Receivables, Allowance for Doubtful Accounts, and Collection Statistics  
(Unaudited)

June 30, 2015 and 2014

**Analysis of Aging**

<u>Days Since Discharge</u>	2015		2014	
	Amount	Percent to Total	Amount	Percent to Total
30 Days or Less	\$ 2,303,777	45.97%	\$ 2,263,713	47.49%
31 to 60 Days	619,463	12.36%	434,586	9.12%
61 to 90 Days	255,019	5.09%	776,477	16.29%
91 to 180 Days	745,389	14.87%	407,589	8.55%
181 Days and over	1,087,527	21.71%	883,991	18.55%
	5,011,175	100.00%	4,766,356	100.00%
Less: Allowance for Doubtful Accounts	(831,000)		(764,000)	
Allowance for Contractual Adjustments	(1,293,000)		(1,115,000)	
Net	\$ 2,887,175		\$ 2,887,356	

**Allowance for Doubtful Accounts**

	Years Ended June 30,	
	2015	2014
Balance, Beginning of Year	\$ 764,000	\$ 700,000
Add: Provision for Bad Debts	320,319	517,937
Recoveries of Accounts Written Off	112,500	157,417
Less: Accounts Written Off	(365,819)	(611,354)
Balance, End of Year	\$ 831,000	\$ 764,000

**Collection Statistics**

	2015	2014
Net Accounts Receivable - Patients and Residents	\$ 2,887,175	\$ 2,887,356
Number of Days Charges Outstanding (1)	56	57
Uncollectible Accounts (2)	\$ 500,360	\$ 806,473
Percentage of Uncollectible Accounts to Total Charges	1.78%	3.07%

(1) Based on average daily net patient and resident service revenue for April, May, and June.

(2) Includes provision for bad debts, charity care, and collection fees.

Greene County Medical Center  
Schedule of Insurance in Force at June 30, 2015 (Unaudited)

Company Policy Number	Description	Amount of Coverage	Annual Premium	Expiration Date
Travelers #2C656019	Building and contents Blanket earnings and Business Int Auto liability Medical payments Earthquake Employee dishonesty	\$ 58,665,275 \$ 9,565,816 \$ 1,000,000 \$ 5,000,000 \$ 500,000	\$ 45,249	9/1/2015
Travelers #2C656019				
Pro Assurance #CH199	Professional liability General liability Umbrella excess liability	\$ 1,000,000 / \$ 3,000,000 \$ 1,000,000 / \$ 3,000,000 \$ 5,000,000 / \$ 5,000,000	\$ 107,494	11/1/2015
United Heartland #0400142561	Worker's compensation	\$ 500,000	\$ 108,846	3/31/2016
Cincinnati #CP0012496	Directors' and officers' liability	\$ 5,000,000	\$ 20,108	1/1/2016
Lloyds of London #249375	Cyber Coverage	\$ 3,000,000 / \$ 3,000,000	\$ 9,061	9/1/2015

Greene County Medical Center  
Schedules of Supplies and Prepaid Expense  
June 30, 2015 and 2014

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	2015	2014
Supplies		
Pharmacy	\$ 70,287	\$ 54,392
Operating room	62,381	54,332
Laboratory	46,980	51,452
Central supply	32,397	36,230
Plant supplies	29,603	27,280
Dietary	-	9,206
Other	355	5,374
Total	\$ 242,003	\$ 238,266
Prepaid Expense		
Insurance	\$ 65,052	\$ 139,555
Maintenance agreements	310,601	78,054
Other	5,915	181,984
Total	\$ 381,568	\$ 399,593

Greene County Medical Center  
Schedules of Statistical Information (Unaudited)  
Years Ended June 30, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
Acute Care		
Admissions	288	276
Discharges	286	280
Patient Days	896	819
Average Length of Stay	3.10	3.00
Swing Bed		
Admissions	69	101
Discharges	72	100
SNF Days	1,063	1,056
ICF Days	121	104
Nursery Days	86	79
Long-Term Care Patient Days	16,747	17,391
Outpatient Occasions of Services	25,243	25,480

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

The Board of Trustees  
Greene County Medical Center  
Jefferson, 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 Greene County Medical Center (Medical Center) and its discretely presented component unit, Greene County Medical Center Foundation (Foundation), which comprise the Statement of Financial Position as of and for the year ended June 30, 2015, the 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 November 16, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Medical Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and another that we consider to be a significant deficiency.

*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 Medical Center's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-A and 2015-B to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2015-C to be a significant deficiency.

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the Medical Center's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Medical Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Medical Center's Responses to Findings**

The Medical Center's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Medical Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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



Dubuque, Iowa  
November 16, 2015



## **Independent Auditor’s Report on Compliance for Its Major Federal Program and Report on Internal Control over Compliance Required by OMB Circular A-133**

The Board of Trustees  
Greene County Medical Center  
Jefferson, Iowa

### **Report on Compliance for Its Major Federal Program**

We have audited Greene County Medical Center’s (Medical Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Medical Center’s major federal program for the year ended June 30, 2015. The Medical Center’s major federal program is identified in the summary of the independent auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

### **Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the compliance for the Medical Center’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Medical Center’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Medical Center’s compliance.

## Opinion on the Major Federal Program

In our opinion, the Medical Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

## Report on Internal Control over Compliance

Management of the Medical Center is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Medical Center's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Dubuque, Iowa  
November 16, 2015

Greene County Medical Center  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Agency Pass-through Number	Program Expenditures
United States Department of Agriculture Community Facilities Loans and Grants	10.766	16-037-037205457	\$ 14,447,654
United States Department of Health and Human Services Pass-through program from: Iowa Department of Public Health			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5885BT71	37,447
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5885BT106	3,750
			<u>41,197</u>
Immunization Cooperative Agreements	93.268	5885I486	<u>10,599</u>
Small Rural Hospital Improvement Grant	93.301	5885SH28	<u>9,569</u>
Calhoun County Department of Health Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	5885NB04	<u>368</u>
Webster County Department of Health Maternal and Child Health Services Block Grant to the States	93.994	5884MH31	1,070
Maternal and Child Health Services Block Grant to the States	93.994	5885MH31	3,192
			<u>4,262</u>
Total U.S. Department of Health and Human Services			<u>65,995</u>
			<u>\$ 14,513,649</u>

**Note A - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Greene County Medical Center (Medical Center) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The purpose of the Schedule is to present a summary of those activities of the Medical Center for the year ended June 30, 2015, which the United States government has financed. For the purpose of this Schedule, federal awards include all federal assistance entered into directly between the Medical Center and the federal government and sub awards from nonfederal organizations made under federal sponsored agreements. Since the Schedule presents only a selected portion of the activities of the Medical Center, it is not intended to, and does not present the financial position, results of operations, changes in net assets, or cash flows of the Medical Center.

**Note B – Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular A-122, Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Medical Center's summary of significant accounting policies is presented in Note 1 in the basic financial statements.

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes (Part II)
Significant deficiency identified not considered to be a material weakness	Yes (Part II)
Noncompliance material to financial statements noted	No

**Federal Awards**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiency identified not considered to be a material weakness	None Reported
Type of auditor's report issued on compliance for the major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Community Facilities Loans and Grants	10.766
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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**Material Weaknesses:**

**2015-A Preparation of Financial Statements**

**Criteria** – A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

**Condition** – The Medical Center does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by GAAP. In conjunction with completion of our audit, we were requested to draft the financial statements and accompanying notes to the financial statements.

**Cause** – The outsourcing of these services is not unusual in an organization of your size. We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with GAAP can be considered costly and ineffective.

**Effect** – The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Medical Center. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting.

**Recommendation** – It is the responsibility of Medical Center management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally.

**Response** – Management feels that committing the resources necessary to remain current on GAAP and Governmental Accounting Standards Board reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating.

**2015-B Adjusting Journal Entries and Review of Monthly Account Reconciliations**

**Criteria** – Accurate reconciliation and review of all significant statement of net position accounts on a monthly basis is essential to prepare reliable financial statements. Auditors must also assess the impact of audit entries on the financial statements.

**Condition** – We noted various statement of net position accounts, in which there was not proper review of the account reconciliations during the year or at year end. Adjustments were made to various accounts to properly record their balances at year end.

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**Section II – Financial Statement Findings (continued)**

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**Cause** – All significant statement of net position accounts need to be reviewed in-depth on a monthly basis to ensure they are accounted for properly. An internal review process that verifies the accuracy of general ledger account balances on a monthly basis was not implemented.

**Effect** – Failure to regularly review all account balances can result in errors on the interim financial statements and represents a weakness in internal control in the accounting system. Material entries in the aggregate were proposed during the audit to adjust year-end account balances.

**Recommendation** – All significant general ledger accounts should be reviewed monthly. Furthermore, the Chief Financial Officer should review reconciliations and accounting matters that are considered to be more complicated areas or estimates. This will help ensure that significant entries are made as necessary on a timely basis.

**Response** – Management agrees with the finding. The Controller and Chief Financial Officer will work collectively to improve and strengthen the controls over the financial reporting process going forward.

**Significant Deficiency:**

**2015-C Segregation of Duties**

**Criteria** – An effective system of internal control depends on an adequate segregation of duties with respect to the execution and recording of transactions, as well as the custody of an organization’s assets. Accordingly, an effective system of internal control will be designed such that these functions are performed by different employees, so that no one individual handles a transaction from its inception to its completion.

**Condition** – Certain employees perform duties that are incompatible.

**Cause** – The limited number of office personnel prevents a proper segregation of accounting functions necessary to ensure optimal effective internal control.

**Effect** – The lack of segregation of duties increases the risk of fraud related to misappropriation of assets, financial statement misstatement, or both. It also increases the risk of errors, leading to financial statement misstatement. Limited segregation of duties could result in misstatements that may not be prevented or detected and corrected on a timely basis in the normal course of operations. While most invoices are reviewed, by not reviewing all check registers prior to mailing of checks, there is potential for unapproved payments being made.

**Recommendation** – We realize that with a limited number of office employees, complete segregation of duties is difficult. We also recognize that in some instances it may not be cost effective to employ additional personnel for the purpose of segregating duties. It is the responsibility of management and those charged with governance to determine whether to accept the degree of risk associated with the condition because of cost or other considerations.

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**Section II – Financial Statement Findings (continued)**

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However, the Medical Center should continually review its internal control procedures, other compensating controls and monitoring procedures to obtain the maximum internal control possible under the circumstances. This includes reviewing and approving all invoices and check registers prior to mailing. Management involvement through the review of reconciliation procedures can be an effective control to ensure these procedures are being accurately completed on a timely basis. Furthermore, the Medical Center should periodically evaluate its procedures to identify potential areas where the benefits of further segregation of duties or addition of other compensating controls and monitoring procedures exceed the related costs.

**Response** – Management agrees with the finding and has reviewed the accounting and operating procedures of the Medical Center. Due to the limited number of office employees, management will continue to monitor the Medical Center’s procedures. Furthermore, we will continually review the assignment of duties to obtain the maximum internal control possible under the circumstances.

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**Section III – Federal Award Findings and Questioned Costs**

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There were no findings and questioned costs to report.

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**Section IV – Other Findings Related to Required Statutory Reporting**

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- 2015-IA-A Certified Budget** – Expenditures during the year ended June 30, 2015 did not exceed the amount budgeted.
- 2015-IA-B Questionable Expenditures** – We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- 2015-IA-C Travel Expense** – No expenditures of Medical Center money for travel expenses of spouses of Medical Center officials and/or employees were noted.
- 2015-IA-D Business Transactions** – We noted no material business transactions between the Medical Center and Medical Center officials and/or employees.
- 2015-IA-E Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2015-IA-F Deposits and Investments** – The Medical Center exceeded limits within its depository resolution at certain times during the year ended June 30, 2015.
- Recommendation** – It is recommended that the Medical Center monitor deposits at each bank to ensure deposits do not exceed the amount allowed by the current depository resolution. We also recommend evaluating the adequacy of the current maximum deposit amounts based on the existing cash and deposit balances.
- Response** – We will monitor cash balances and assess the adequacy of maximum depository amounts.
- 2015-IA-G Publication of Bills Allowed and Salaries** – Chapter 347.13(11) of the Code of Iowa states “There shall be published quarterly in each of the official newspapers of the county as selected by the board of supervisors pursuant to section 349.1 the schedule of bills allowed and there shall be published annually in such newspapers the schedule of salaries paid by job classification and category...” The Medical Center published a schedule of bills allowed and a schedule of salaries paid as required by the Code of Iowa.

**2014-001**      **U.S Department of Commerce**  
**CFDA # 11.557**  
**ARRA Broadband Technology Opportunities Program (BTOP)**

**Allowable Costs**  
**Significant Deficiency in Internal Control over Compliance**

**Condition** – Payroll expense related to employees involved with the grant were submitted to Central Iowa Hospital Corporation; however, the Medical Center submitted less payroll expense than they should have submitted.

**Status:** The Broadband Technology Opportunities Program (BTOP) ended in fiscal year 2014. The federal agency is not currently following up with the auditee on the audit finding.