Hamilton County Public Hospital d/b/a

Van Diest Medical Center

Webster City, Iowa

Financial Statements and
Supplementary Information
June 30, 2015 and 2014

Together with Independent Auditor's Report

Hamilton County Public Hospital d/b/a
Van Diest Medical Center

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Hamilton County Public Hospital d/b/a
Van Diest Medical Center

Officials
June 30, 2015

Name	Title	Term Expires
Medical Center Board of Trustees:		
Carroll Ose	Board Chair	December 2018
Roberta Knutson	Vice Chair	December 2020
Henry Witt	Secretary	December 2020
David Taylor	Treasurer	December 2016
Kirk McCollough	Trustee	December 2016
Justin Deppe	Trustee	December 2020
Darcy Swon	Trustee	December 2018
Medical Center Officials:		
Lori Rathbun	Chief Executive Officer	Indefinite
Alice Heinrichs	Chief Financial Officer	Indefinite
Janet Naset-Payne	Chief Nursing Officer	Indefinite

Independent Auditor's Report

To the Board of Trustees
Hamilton County Public Hospital d/b/a
Van Diest Medical Center
Webster City, Iowa:

Report on the Financial Statements

We have audited the accompanying financial statements of Hamilton County Public Hospital d/b/a Van Diest Medical Center (Medical Center) 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 basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Medical Center'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's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center as of June 30, 2015 and 2014, and the respective changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Seim Johnson, LLP › 18081 Burt Street, Suite 200 › Omaha, NE 68022-4722 › Tel: 402.330.2660 › Fax: 402.330.5108 › SeimJohnson.com

Emphasis of Matter

As discussed in Note 12 to the financial statements, in 2015 the Medical Center adopted new accounting guidance to reflect the provisions of Statement No. 68 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of the Medical Center's proportionate share of the net pension liability and the schedule of Medical Center contributions on pages 4 through 7 and 28 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Medical Center's basic financial statements. The supplementary information (Exhibits 1 – 6) are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information (Exhibits 1 – 6) are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information (Exhibits 1 – 6) are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015 on our consideration of the Medical Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

Seim Johnson, LLP

Omaha, Nebraska,
October 26, 2015.

Introduction

This management's discussion and analysis of the financial performance of Hamilton County Public Hospital d/b/a Van Diest Medical Center (Medical Center) provides an overview of the Medical Center's financial activities for the years ended June 30, 2015 and 2014. It should be read in conjunction with the accompanying financial statements of the Medical Center.

Financial Highlights

- The Medical Center reported an increase in net position of $2,651,910 in 2015 and a decrease in net position of $1,299,880 in 2014. The improvement in the 2015 performance was related to a $3,000,000 capital contribution as well as increase in patient volumes, third party payor contractual relationships, and the implementation of GASB 68.
- The Medical Center's net position decreased from June 30, 2014 to July 1, 2014, primarily due to the implementation of GASB 68 and the restatement of the 2015 beginning balance for net pension liability of $5,760,250. See note 9 and 12 for further information.

Using This Annual Report

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

Statement of Net Position and Statement of Revenue, Expenses and Changes in Net Position

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

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

Statement of Cash Flows

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

The Medical Center's Net Position

The Medical Center's net position is the difference between its assets, deferred inflows and outflows, and liabilities reported in the statement of net position. The Medical Center's net position decreased by $3,108,340 (which includes GASB 68 changes) in 2015 compared to 2014 and decreased by $1,299,880 in 2014 compared to 2013 as shown in table 1 below:

Table 1: Statements of Net Position

	2015	(not restated) 2014	(not restated) 2013
Assets:			
Patient accounts receivable, net	$ 2,254,877	3,519,671	2,664,658
Other current assets	12,744,460	9,895,378	10,935,818
Capital assets, net	24,983,376	26,470,079	27,409,287
Other noncurrent assets	8,546,860	6,621,270	8,024,002
Total assets	48,529,573	46,506,398	49,033,765
Deferred Outflows of Resources:			
Unamortized loss on refunding of debt, net	767,104	836,841	906,578
Pension related deferred outflows of resources	1,320,649	--	--
Total deferred outflows of resources	2,087,753	836,841	906,578
Total assets and deferred outflows	$ 50,617,326	47,343,239	49,940,343
Liabilities:			
Current liabilities	$ 3,256,686	2,399,526	2,677,818
Long-term debt	15,595,843	16,815,333	18,005,000
Net pension liability	4,793,060	--	--
Total liabilities	23,645,589	19,214,859	20,682,818
Deferred Inflows of Resources:			
Premium on long-term debt refunding	255,215	278,417	301,618
Unavailable property tax revenue	1,832,620	1,827,554	1,633,618
Pension related deferred inflows	1,969,833	--	--
Total deferred inflows of resources	4,057,668	2,105,971	1,935,236
Net Position:			
Net investment in capital assets	8,167,533	8,464,746	9,240,317
Restricted	4,859,230	1,870,674	1,870,674
Unrestricted	9,887,306	15,686,989	16,211,298
Total net position	22,914,069	26,022,409	27,322,289
Total liabilties, deferred inflows and net position	$ 50,617,326	47,343,239	49,940,343

Year ended June 30, 2015: Net patient accounts receivable decreased by $1,264,794 due to improved collection efforts which was a main reason for the $2,614,707 increase in cash and cash equivalents from 2014. Total liabilities increased due to the impact of GASB 68 implementation as well as an increase in third-party payor settlements. Total deferred inflows also increased due to the impact of GASB 68 implementation.

Year ended June 30, 2014: Net patient accounts receivable increased by $855,013 due to claims backlog upon the retirement of long term employees in the business office and installation of a new claims scrubbing system which in turn contributed to a decrease in other current assets (which decreased $1,040,440). Other noncurrent assets decreased by $1,402,732 due to the cash purchase of an in house MRI and the associated building remodeling. Total liabilities decreased by $1,467,959 due to a decrease of long-term debt of $1,189,667.

Operating Results and Changes in the Hospital's Net Position

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by $5,760,250 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal years 2013 and 2014 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.

Table 2: Operating Results and Changes in Net Position

	2015	(not restated) 2014	(not restated) 2013
Operating Revenue:			
Net patient service revenue	$ 20,600,964	20,178,083	20,251,824
Other operating revenue	422,401	642,869	168,485
Total operating revenue	21,023,365	20,820,952	20,420,309
Operating Expenses:			
Salaries, wages and employee benefits	11,325,701	11,672,237	11,146,185
Purchased services and professional fees	1,538,025	1,693,367	1,498,404
Depreciation and amortization	3,356,925	3,396,333	3,526,146
Other operating	6,328,479	6,358,412	6,640,300
Total operating expenses	22,549,130	23,120,349	22,811,035
Operating Loss	(1,525,765)	(2,299,397)	(2,390,726)
Nonoperating Revenue (Expense):			
Property taxes	1,846,165	1,633,618	867,894
Investment income	33,591	31,776	36,912
Gain (loss) on disposal of capital assets	4,726	4,750	(20,770)
Interest expense	(706,807)	(733,772)	(710,036)
Total nonoperating revenue, net	1,177,675	936,372	174,000
Excess of revenue under expenses before capital grants and contributions	(348,090)	(1,363,025)	(2,216,726)
Capital grants and contributions	3,000,000	63,145	70,952
Increase (decrease) in net position	2,651,910	(1,299,880)	(2,145,774)
Net position, beginning of year, as restated	20,262,159	27,322,289	29,468,063
Net position, end of year	$ 22,914,069	26,022,409	27,322,289

Operating Loss

The first component of the overall change in the Medical Center's net position is operating income or loss - generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In 2015, 2014, and 2013, the Medical Center reported an operating loss. The Medical Center was formed and is operated primarily to serve residents of Hamilton County and the surrounding area and the results of operations often reflect losses from operations. As a result of the operating losses, the Medical Center levies property taxes to provide sufficient resources to enable the facility to serve patients.

In 2015 the operating loss was $773,632 less than the 2014 operating loss due to the following:

- Decrease in provision for bad debt of $904,969 due to improved bet patient accounts receivable collection efforts as well as a decrease in uninsured patients due to Medicaid expansion.

- Employee benefit expenses decreased $366,216 compared to 2014 primarily due to the implementation of Governmental Accounting Standards Board Statement No. 68 which reduced IPERS contribution expense $318,006.

In 2014 the primary components resulting in an operating loss were:

- Increase in provision for bad debt of $176,634 or 10.7% relating to old accounts receivable accounts in collections.

- Increase in salaries and wages of $488,199 or 5.8% due to an increase in FTE's (fulltime equivalents) and overtime use during the first half of the fiscal year. Changes in utilization of staffing during the last half of the fiscal year helped mitigate additional losses.

Nonoperating Revenue

Nonoperating revenue and expenses consist primarily of interest expense, property taxes levied by the Hospital, and interest income. Property tax income increased $212,547 in 2015 compared to 2014 and increased $765,724 in 2014 compared to 2013. Investment income and interest expense remained consistent between years. During 2015 the Medical Center received a $3,000,000 capital contribution that is restricted to use for the funding of a clinic addition construction project as seen in Note 6.

The Medical Center's Cash Flows

The Medical Center's cash flows were $2,614,707 in 2015 and ($1,028,968) in 2014 which is a $3,643,675 increase between the two years. The improved cash flow was due to a $1,264,794 decrease in net patient accounts receivable as well as lower 2015 operating loss due to the $904,969 reduction in provision in bad debt as previously noted.

Capital Asset and Debt Administration

Capital Assets

The Medical Center had $24,983,376, $26,470,079, and $27,409,287 as of June 30, 2015, 2014, and 2013, respectively, invested in capital assets, net of accumulated depreciation. The net amount has declined each year as annual depreciation expense outpaces annual capital purchases. See Note 6 for a discussion regarding a clinic construction project that will be completed in fiscal year 2016.

Debt

The Medical Center had $16,815,843, $18,005,333, and $19,170,000 as of June 30, 2015, 2014, and 2013, respectively in outstanding long-term debt obligations (debt relating to G.O. bonds held in the name of Hamilton County, Iowa). The Hospital did not enter into any new debt obligations during 2015 or 2014. During 2013 the Medical Center performed a debt refunding that added $725,000 in principal but allowed for interest savings of $931,309 over the term of the debt.

Contacting the Medical Center's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Medical Center's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Medical Center's administration department by telephoning 515-832-9400.

Hamilton County Public Hospital d/b/a
Van Diest Medical Center

Statements of Net Position
June 30, 2015 and 2014

	2015	(not restated) 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,156,301	5,541,594
Short-term investments	850,000	1,050,000
Assets limited as to use or restricted, current portion	160,019	159,689
Receivables -		
Patients, net of allowance for doubtful accounts of $1,280,559 in 2015 and $1,130,060 in 2014	2,254,877	3,519,671
Succeeding year property taxes receivable	1,846,973	1,839,184
Other	275,516	8,110
Inventories	1,085,182	1,078,798
Prepaid expenses	370,469	218,003
Total current assets	14,999,337	13,415,049
Investments	550,000	700,000
Assets limited as to use or restricted, net of current portion	7,996,860	5,921,270
Capital assets, net	24,983,376	26,470,079
Total assets	48,529,573	46,506,398
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunding of debt, net	767,104	836,841
Pension related deferred outflows	1,320,649	--
Total deferred outflows of resources	2,087,753	836,841
Total assets and deferred outflows of resources	$ 50,617,326	47,343,239
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	$ 1,220,000	1,190,000
Accounts payable -		
Trade	492,495	352,725
Construction	153,448	--
Accrued salaries, vacation and benefits payable	943,558	778,272
Accrued interest payable	52,624	55,202
Estimated third-party payor settlements - Medicare and Medicaid	394,561	23,327
Total current liabilities	3,256,686	2,399,526
Long-term liabilities:		
Long-term debt, net of current portion	15,595,843	16,815,333
Net pension liability	4,793,060	--
Total liabilities	23,645,589	19,214,859
DEFERRED INFLOWS OF RESOURCES		
Premium on long-term debt refunding, net	255,215	278,417
Unavailable property tax revenue	1,832,620	1,827,554
Pension related deferred inflows	1,969,833	--
Total deferred inflows of resources	4,057,668	2,105,971
NET POSITION		
Net investment in capital assets	8,167,533	8,464,746
Restricted -		
Expendable for capital assets	3,004,030	15,474
Expendable for debt service	1,855,200	1,855,200
Unrestricted	9,887,306	15,686,989
Total net position	22,914,069	26,022,409
Total liabilities, deferred inflows of resources and net position	$ 50,617,326	47,343,239

See notes to financial statements

Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended June 30, 2015 and 2014

	2015	(not restated) 2014
OPERATING REVENUE:		
Net patient service revenue before provision for bad debt	$ 21,528,407	22,010,495
Provision for bad debt	(927,443)	(1,832,412)
Net patient service revenue	20,600,964	20,178,083
Other operating revenue	422,401	642,869
Total operating revenue	21,023,365	20,820,952
OPERATING EXPENSES:		
Salaries and wages	8,904,946	8,885,266
Employee benefits	2,420,755	2,786,971
Contract labor	2,135,224	1,946,251
Professional fees and purchased services	1,538,025	1,693,367
Supplies	1,911,609	2,230,975
Facility costs	422,820	454,772
Repairs and maintenance	741,910	601,585
Equipment lease and rentals	198,883	279,665
Insurance	360,474	310,304
Depreciation and amortization	3,356,925	3,396,333
Other expenses	557,559	534,860
Total operating expenses	22,549,130	23,120,349
OPERATING LOSS	(1,525,765)	(2,299,397)
NONOPERATING REVENUE (EXPENSE):		
Property taxes	1,846,165	1,633,618
Investment income	33,591	31,776
Gain on disposal of capital assets	4,726	4,750
Interest and amortization expense	(706,807)	(733,772)
Total nonoperating revenue, net	1,177,675	936,372
EXCESS OF REVENUE UNDER EXPENSES BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(348,090)	(1,363,025)
CAPITAL GRANTS AND CONTRIBUTIONS	3,000,000	63,145
INCREASE (DECREASE) IN NET POSITION	2,651,910	(1,299,880)
NET POSITION, beginning of year, as restated (see note 12)	20,262,159	27,322,289
NET POSITION, end of year	$ 22,914,069	26,022,409

See notes to financial statements

Hamilton County Public Hospital d/b/a
Van Diest Medical Center

Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	(not restated) 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from patients and third-party payors	$ 22,236,992	19,186,397
Cash paid for employee salaries and benefits	(11,678,421)	(11,700,644)
Cash paid to suppliers and contractors	(7,885,584)	(8,005,074)
Other receipts and payments, net	354,995	640,759
Net cash provided by operating activities	3,027,982	121,438
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES,		
Property taxes received	1,843,442	1,630,983
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets, net	(1,712,048)	(2,524,404)
Principal payments on long-term debt	(1,189,490)	(1,164,667)
Interest payments	(662,850)	(689,467)
Capital grants and contributions	3,000,000	63,145
Net cash used in capital and related financing activities	(564,388)	(4,315,393)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Deposits to) withdrawals from investments and assets limited as to use or restricted, net	(1,725,920)	1,502,228
Investment income	33,591	31,776
Net cash provided by (used in) investing activities	(1,692,329)	1,534,004
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,614,707	(1,028,968)
CASH AND CASH EQUIVALENTS, beginning of year	5,541,594	6,570,562
CASH AND CASH EQUIVALENTS, end of year	$ 8,156,301	5,541,594

See notes to financial statements

Statements of Cash Flows (Continued)
For the Years Ended June 30, 2015 and 2014

		2015	(not restated) 2014
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating loss	$	(1,525,765)	(2,299,397)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		3,356,925	3,396,333
Decrease in net pension liability		(1,728,222)	--
Increase in deferred outflows of resources		(559,617)	--
Increase in deferred inflows of resources		1,969,833	--
(Increase) decrease in current assets -			
Receivables -			
Patients		1,264,794	(855,013)
Other		(267,406)	(2,110)
Inventories		(6,384)	43,210
Prepaid expenses		(152,466)	67,447
Increase (decrease) in liabilities -			
Accounts payable - trade		139,770	(63,952)
Accrued salaries, vacation and benefits payable		165,286	(28,407)
Estimated third-party payor settlements - Medicare and Medicaid		371,234	(136,673)
Net cash provided by operating activities	$	3,027,982	121,438

See notes to financial statements

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

Hamilton County Public Hospital d/b/a Van Diest Medical Center (Medical Center) is a Critical Access Hospital, organized under Chapter 347 of the Code of Iowa, governed by a 7 member Board of Trustees, which is elected by the voters of Hamilton County. The Medical Center is a Critical Access Hospital with 25 acute-care beds. The Medical Center also has related healthcare ancillary and outpatient services.

The following is a description of the reporting entity and a summary of significant accounting policies of the Medical Center. These policies are in accordance with accounting principles generally accepted in the United States of America.

A. Reporting Entity

For financial reporting purposes, Van Diest Medical Center has included all the funds of the Medical Center, specifically all assets, deferred outflows, liabilities, deferred inflows, revenue and expenses over which the Medical Center's governing board exercises oversight responsibility. 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 Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the 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. The Medical Center has no component units required to be reported in accordance with the Governmental Accounting Standards Board criteria.

B. Industry Environment

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

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

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

C. Basis of Presentation

The statements of net position display the Medical Center's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Net position is reported in the following categories:

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

Restricted – expendable – This component of net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

D. Measurement Focus and Basis of Accounting

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

The Medical Center's basic financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenue is recognized when earned, expenses are recognized when incurred.

E. Use of Estimates

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

F. Cash and Cash Equivalents

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

G. Patient Receivables, Net

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Medical Center provides an allowance for doubtful self-pay and miscellaneous commercial insurance accounts based on the allowance method. Patients are not required to provide collateral for services rendered. The allowance is estimated based on past experience and on analysis of current accounts receivable collectability. Accounts are considered delinquent based on passage of a specified period of time and consideration of payment history. Accounts deemed uncollectible are written off and charged to the allowance in the year they are deemed uncollectible.

The Medical Center also maintains a charity care policy as described in Note 1(T).

H. Property Tax Receivable

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

I. Inventories

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market.

J. Assets Limited as to Use or Restricted

Assets limited as to use or restricted primarily include assets held by trustees under general debt agreements; funds the Medical Center's Board of Trustees has set aside for future capital improvements; and contributions restricted by donors. Amounts required to meet current liabilities of the Medical Center have been included in current assets in the statements of net position at June 30, 2015 and 2014.

K. Capital Assets, Net

Capital asset acquisitions in excess of $2,500 are capitalized and recorded at cost. Depreciation is provided over the estimated life of each depreciable asset and is computed using the straight-line method.

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

Land improvements	8 to 20 years
Buildings and leasehold improvements	5 to 40 years
Equipment	3 to 20 years
Computer software	3 to 8 years

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

Gifts of capital assets such as land, buildings or equipment are reported as unrestricted support and are excluded from the excess of revenue under expenses before capital grants and contributions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of capital assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire capital assets are reported as restricted support. Absent explicit donor stipulations about how long those capital assets must be maintained, expirations of donor restrictions are reported when the donated or acquired capital assets are placed into service.

L. Deferred Outflow of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, contributions from the employer after the measurement date, but before the end of the employer's reporting period, and unamortized loss on the refunding of debt that will be recognized over the life of the Series 2012A and 2013 bonds (Note 7). Amortization expense of $69,737 for the years ended June 30, 2015 and 2014, respectively, is included in interest and amortization expense on the statements of revenue, expenses, and changes in net position.

M. Compensated Absences

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

N. 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.

O. Deferred Inflows of Resources

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

P. Income Taxes

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

Q. Fair Value of Financial Instruments

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

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

For the purposes of display, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as nonoperating revenue and expenses.

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

T. Charity Care

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 amounts determined to qualify as charity care, they are not reported as revenue.

The Medical Center is dedicated to providing comprehensive healthcare services to all segments of society, including the aged and otherwise economically disadvantages. In addition, the Medical Center provides a variety of community health services at or below cost.

U Grants and Contributions

From time to time, the Medical Center receives grants and contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or restricted for a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

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

W. Reclassification

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 reporting format.

X. Subsequent Events

The Medical Center considered events occurring through October 26, 2015 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

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

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.

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

Interest Rate Risk: The Medical Center's investment policy allows for the investment of funds with varying maturities as a means for managing its exposure to fair value losses arising from changes in interest rates, so long as the maturities are consistent with the needs and uses of the Medical Center's funds.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. The Medical Center's investment policy for custodial credit risk mirrors requirements set forth by the Code of Iowa.

The composition of deposits, investments, including assets limited as to use or restricted as of June 30, 2015 and 2014 is as follows:

	2015	2014
Cash and cash equivalents	$ 8,156,301	5,541,594
Investments:		
Operating reserves –		
Certificates of deposit	1,400,000	1,750,000
Assets Limited as to Use or Restricted:		
By the Board of Trustees for capital improvements –		
Cash and cash equivalents	3,137,630	4,050,596
Under Hamilton County Loan Agreement –		
Debt service reserve fund:		
Cash and cash equivalents	160,019	159,689
Certificates of deposit	1,855,200	1,855,200
	2,015,219	2,014,889
By donor:		
Cash and cash equivalents	3,004,030	15,474
Total assets limited as to use or restricted	8,156,879	6,080,959
Less amounts required to meet current obligations	160,019	159,689
Long-term portion	7,996,860	5,921,270
Total	$ 17,713,180	13,372,553

Investment return, including return on assets limited as to use or restricted, for the years ended June 30, 2015 and 2014 is summarized as follows:

		2015	2014
Interest income	$	33,591	31,776

(3) Net Patient 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 - Inpatient acute care services rendered to Medicare program beneficiaries in a Critical Access Hospital are paid based on Medicare defined costs of providing the services. Inpatient non-acute services and certain outpatient services related to Medicare 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 Medicare Administrative Contractor. The Medical Center's Medicare cost reports have been audited by the Medicare Administrative Contractor through June 30, 2011.

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

Medicaid - Inpatient acute services and outpatient services rendered to Medicaid program beneficiaries in a critical access hospital are paid based on Medicaid defined costs of providing the services. These rates vary accordingly to a patient classification system. The Medical Center is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center.

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

The following illustrates the Medical Center’s gross patient service revenue at its established rates and revenue deductions by major third-party payors:

		2015	2014
Gross patient service revenue:			
Inpatient and swing bed services	$	13,195,652	13,970,037
Outpatient		21,771,320	21,615,555
Total gross patient service revenue		34,966,972	35,585,592
Deductions from gross patient service revenue:			
Medicare		5,841,857	6,620,789
Medicaid		2,179,003	1,658,579
Other payors		5,008,740	4,737,623
Charity care		408,965	558,106
Total deductions from gross patient service revenue		13,438,565	13,575,097
Net patient service revenue before provision for bad debt	$	21,528,407	22,010,495

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

Revenue from the Medicare and Medicaid programs accounts for approximately 49% and 16%, respectively, of the Medical Center's net patient revenue for the year ended June 30, 2015 compared to 49% for Medicare and 12% for Medicaid in 2014. The Medical Center grants credit without collateral to their patients, most of who are local residents and are insured under third-party payor agreements. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

(4) Other Operating Revenue

Other operating revenue for the years ended June 30, 2015 and 2014 consisted of the following:

		2015	2014
State of Iowa electronic health records incentive payments	$	101,700	203,400
CMS electronic health records incentive payments		33,200	256,864
Services to outside entities		134,303	3,409
Cafeteria		84,788	96,546
Rebates		23,051	18,769
Specialty clinic		12,450	15,072
Grants and donations		24,938	9,703
Rentals		530	17,890
Other		7,441	21,216
	$	422,401	642,869

The Health Information Technology for Economic and Clinical Health Act contains specific financial incentives designed to accelerate the adoption of electronic health record (EHR) systems among health care providers. During 2013, the Medical Center qualified for the financial incentive payments by attesting it met specific criteria set by the Centers for Medicare and Medicaid Services (CMS). The EHR incentive payment is computed using several elements, one of which includes using the value of undepreciated assets required to implement the EHR system. The Medical Center recorded $33,200 and $256,864 for the years ending June 30, 2015 and 2014, respectively, of the incentive payment as other operating revenue in the period earned. The Medical Center eligible for EHR incentive payments through 2016. Management's attestation is subject to audit by the federal government or its designee.

In addition, the Iowa Department of Health and Human Services (DHHS) provides EHR incentive payments that will be earned and received through various payments through 2015. Medicaid incentive revenue of $101,700 and $203,400 was earned in 2015 and 2014, respectively. The amounts recognized are based on management's best estimates and are subject to change, which would be recognized in the period in which the change occurs.

(5) Composition of Patient Receivables

Patient receivables as of June 30, 2015 and 2014 consist of the following:

	2015	2014
Patient receivables	$ 5,180,383	6,654,512
Less estimated third-party contractual adjustments	(1,644,947)	(2,004,781)
Less allowance for doubtful accounts	(1,280,559)	(1,130,060)
	$ 2,254,877	3,519,671

The Medical Center is located in Webster City, Iowa. The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	2015	2014
Medicare	33%	44%
Medicaid	13	11
BCBS	21	15
Other third-party payors	15	14
Private payors	18	16
	100%	100%

(6) Capital Assets

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

	June 30, 2014	Additions	Disposals	Construction Transfers	June 30, 2015
Capital assets, not being depreciated:					
Land	$ 224,092	--	--	--	224,092
Construction in progress	4,837	1,865,496	--	(872,883)	997,450
Total capital asset, not being depreciated	228,929	1,865,496	--	(872,883)	1,221,542
Capital assets, being depreciated:					
Land improvements	3,250,153	--	--	--	3,250,153
Buildings	11,763,164	--	--	--	11,763,164
Fixed equipment	13,751,659	--	--	--	13,751,659
Major movable equipment	13,024,728	--	67,838	873,128	13,830,018
Total capital asset, being depreciated	41,789,704	--	67,838	873,128	42,594,994
Less accumulated depreciation:					
Land improvements	810,888	229,682	--	--	1,040,570
Buildings	3,009,409	838,742	--	--	3,848,151
Fixed equipment	3,157,945	903,069	--	--	4,061,014
Major movable equipment	8,565,831	1,385,432	67,838	--	9,883,425
Total accumulated depreciation	15,544,073	3,356,925	67,838	--	18,833,160
Total capital assets, being depreciated, net	26,245,631	(3,356,925)	--	873,128	23,761,834
Total capital assets, net	$ 26,474,560	(1,491,429)	--	245	24,983,376

	June 30, 2013	Additions	Disposals	Construction Transfers	June 30, 2014
Capital assets, not being depreciated:					
Land	$ 224,092	--	--	--	224,092
Construction in progress	13,602	2,593,840	118,157	(2,484,448)	4,837
Total capital asset, not being depreciated	237,694	2,593,840	118,157	(2,484,448)	228,929
Capital assets, being depreciated:					
Land improvements	3,250,153	--	--	--	3,250,153
Buildings	11,347,461	--	--	411,222	11,758,683
Fixed equipment	13,747,669	--	--	3,990	13,751,659
Major movable equipment	11,181,903	--	207,853	2,050,678	13,024,728
Total capital asset, being depreciated	39,527,186	--	207,853	2,465,890	41,785,223
Less accumulated depreciation:					
Land improvements	581,205	229,683	--	--	810,888
Buildings	2,188,249	821,160	--	--	3,009,409
Fixed equipment	2,255,010	902,935	--	--	3,157,945
Major movable equipment	7,331,129	1,442,555	207,853	--	8,565,831
Total accumulated depreciation	12,355,593	3,396,333	207,853	--	15,544,073
Total capital assets, being depreciated, net	27,171,593	(3,396,333)	--	2,465,890	26,241,150
Total capital assets, net	$ 27,409,287	(802,493)	118,157	(18,558)	26,470,079

Depreciation expense for the years ending June 30, 2015 and 2014 amounted to $3,356,925 and $3,396,333, respectively.

Construction in progress costs, as of June 30, 2015, includes approximately $642,000 for an electronic medical records project and approximately $340,000 for new clinic building construction project. The electronic medical records project is estimated to cost approximately $1,800,000 and will be completed in 2016. The clinic building construction project will add an approximately 15,000 square feet clinic to the Medical Center at an estimated cost of $3,700,000 and is scheduled to be completed in 2016. Both projects will be financed through a combination of internal operations and short-term financing.

(7) Long-Term Debt

Long-term debt activity of the Medical Center as of June 30, 2015 and 2014 consisted of the following:

	June 30, 2014	Borrowings	Payments	June 30, 2015	Due Within One Year
Loan agreement (A)	$ 18,005,333	--	1,189,490	16,815,843	1,220,000

	June 30, 2013	Borrowings	Payments	June 30, 2014	Due Within One Year
Loan agreement (A)	$ 19,170,000	--	1,164,667	18,005,333	1,190,000

(A) Hamilton County, Iowa issued $21,820,000 of General Obligation Hospital Bonds, Series 2009 in May 2009. Proceeds from the issuances were loaned to the Medical Center under a loan agreement between the Medical Center and the Hamilton County, Iowa. The proceeds were used to finance acquisition, construction, equipping and furnishing of a replacement medical center facility and related building improvements. In 2013, Hamilton County refunded the Series 2009 bonds with General Obligation County Purpose and Refunding Bonds, Series 2012A, and General Obligation Refunding Bonds, Series 2013, resulting in an additional $725,000 loan to the Medical Center. The interest rate on the bonds range from 1.00% to 2.00%. Annual principal payments are due in amounts ranging from approximately $1,220,000 to $1,730,000 through June 2026.

A summary of the Medical Center's future principal and interest payments as of June 30, 2015 is as follows:

Year Ending	Principal	Interest	Total
2016	$ 1,220,000	631,400	1,851,400
2017	1,255,000	595,410	1,850,410
2018	1,480,000	259,446	1,739,446
2019	1,500,000	237,670	1,737,670
2020	1,520,000	215,570	1,735,570
2021-2025	8,110,000	618,650	8,728,650
2026	1,730,843	68,500	1,799,343
	$ 16,815,843	2,626,646	19,442,489

Under the terms of the loan agreement, the Medical Center is required to maintain certain deposits in a debt service reserve fund, and make deposits into a bond sinking fund, sufficient to pay principal and interest due on the bonds. Such deposits are included with assets limited as to use or restricted in the accompanying financial statements. The terms of the loan agreement contain affirmative and negative covenants, requiring, among other things, certain periodic reporting, compliance items, financial covenants and restrictions on additional borrowings. The loan agreement contains affirmative covenants that require the Medical Center to maintain a minimum, maximum annual, debt service coverage ratio of not less than 1.25. At June 30, 2015, the Medical Center met the minimum debt service coverage ratio.

(8) Professional Liability Insurance

The Medical Center carries a professional liability policy (including malpractice) providing coverage of $1,000,000 for injuries per occurrence and $3,000,000 aggregate coverage. In addition, the Medical Center carries an umbrella policy which also provides $10,000,000 per occurrence and aggregate coverage. These policies provide coverage on a claims-made basis covering only those claims which have occurred and are reported to the insurance company while the coverage is in force. The Medical Center could have exposure on possible incidents that have occurred for which claims will be made in the future, should professional liability insurance not be obtained or should coverage be limited and/or not available.

Accounting principles generally accepted in the United States of America require a healthcare provider to recognize the ultimate costs of malpractice claims or similar contingent liabilities, which include costs associated with litigating or settling claims, when the incidents that give rise to the claims occur. The Medical Center does evaluate all incidents and claims along with prior claim experienced to determine if a liability is to be recognized. For the years ending June 30, 2015 and 2014, management determined no liability should be recognized for asserted or unasserted claims. Management is not aware of any such claim that would have a material adverse impact on the accompanying financial statements.

(9) Pension and Retirement Benefits

Plan Description

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

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

Pension Benefits

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

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

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 years 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.

The Medical Center's contributions to IPERS for the years ended June 30, 2015 and 2014 were $760,945 and $761,032, respectively.

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 $4,793,060 for its proportionate share of the net pension liability. The Medical Center's 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 .1210447 percent, which was an increase of .005678 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Medical Center recognized pension expense of $442,939. 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	$ 53,150	8,776
Changes of assumptions	215,828	210
Net difference between projected and actual earnings on pension plan investments	--	1,960,847
Changes in proportion and differences between Medical Center contributions and proportionate share of contributions	290,726	--
Medical Center contributions subsequent to the measurement date	760,945	--
Total	$ 1,320,649	1,969,833

Deferred outflows of resources related to pensions included $760,945 resulting from the Medical Center 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:

Year Ended June 30,		
2016	$	(361,530)
2017		(361,530)
2018		(361,530)
2019		(361,530)
2020		35,991
	$	(1,410,129)

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)	3.0 percent
Salary increases (effective June 30, 2014)	4.0 to 17.0 percent, average, including inflation. Rates vary by membership group
Investment rate of return (effective June 30, 1996)	7.5 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:

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

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.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Medical Center's proportionate share of the net pension liability	$ 9,422,672	4,793,060	885,840

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

At June 30, 2015, the Medical Center reported payables to the defined benefit pension plan of $22,460 for legally required employer contributions and $14,965 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(10) Management Services and Affiliation Agreement

The Medical Center has a contractual arrangement with Mercy Health Network (Mercy), under which Mercy provides management and other services to the Medical Center. The arrangement does not alter the authority of responsibility of the Board of Trustees of the Medical Center. The amount paid to Mercy for services during the years ended June 30, 2015 and 2014 were $327,384 and $265,575, respectively.

(11) Commitments and Contingencies

Operating Lease

The Medical Center entered into a long-term operating lease agreement for equipment in 2014. Lease expense related to this agreement totaled $23,592 and $10,289 for the years ended June 30, 2015 and 2014, respectively.

During 2015, the Medical Center entered into a long-term operating lease for service and subscription fees. Future minimum lease payments under this operating agreement are as follows:

Year Ended June 30,		
2016	$	260,939
2017		377,060
2018		377,060
2019		377,060
2020		377,060
2021 - 2025		659,855

Contingencies

The Medical Center is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates these matters will be resolved without material adverse effect on the Medical Center's future financial position or results from operations.

(12) Change in Accounting Principle

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position 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	$	26,022,409
Net pension liability at June 30, 2014		(6,521,282)
Deferred outflows of resources related to contributions made after the July 30, 2013 measurement date		761,032
Net position July 1, 2014, as restated	$	20,262,159

Hamilton County Public Hospital d/b/a
Van Diest Medical Center

Budgetary Comparison Schedule of Revenue, Expenses and Changes in Net Position
Budget and Actual (Accrual Basis)
Required Supplementary Information
For the Year Ended June 30, 2015

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

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Medical Center on the accrual basis following required public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The Board of Trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures.

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

	Actual Accrual Basis	Budgeted Accrual Amounts	Variance Favorable (Unfavorable)
Estimated amount raised by taxation	$ 1,846,165	1,786,831	59,334
Estimated other revenue / receipts	24,061,682	23,245,334	816,348
	25,907,847	25,032,165	875,682
Expenses	23,255,937	25,659,693	2,403,756
Net	2,651,910	(627,528)	3,279,438
Balance, beginning of year	20,262,159	20,262,159	
Balance, end of year	$ 22,914,069	19,634,631	

See accompanying independent auditor's report

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

Iowa Public Employee's Retirement System
Last Fiscal Year*
(In Thousands)

		2015
Medical Center's proportion of net pension liability		0.1210447%
Medical Center's proportionate share of the net pension liability	$	4,793
Medical Center's covered-employee payroll	$	8,522
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll		56.24%
Plan fiduciary net position as a percentage of the total pension liability		87.61%

*The amounts presented for each fiscal year were determined as of June 30

Note: 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.

See accompanying independent auditor's report

Hamilton County Public Hospital d/b/a
Van Diest Medical Center

Schedule of the Medical Center's Contributions
Required Supplementary Information
June 30, 2015

Iowa Public Employee's Retirement System
Last 10 Fiscal Years
(In Thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	$ 761	761	686	645	572	545	474	414	393	348
Contributions in relation to the statutorily required contribution	(761)	(761)	(686)	(645)	(572)	(545)	(474)	(414)	(393)	(348)
Contribution deficiency (excess)	$ --	--	--	--	--	--	--	--	--	--
Medical Center's covered-employee payroll	$ 8,522	8,522	7,912	7,993	8,230	8,195	7,465	6,843	6,835	6,052
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying independent auditor's report

Notes to Required Supplementary Information – Pension Liability

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 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.

Hamilton County Public Hospital d/b/a

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Exhibit 1

Net Patient Service Revenue
For the Years Ended June 30, 2015 and 2014

	2015			2014 (not restated)		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
NURSING SERVICES:						
Acute patients	$ 4,401,343	818,055	5,219,398	4,115,124	1,107,063	5,222,187
Swing-bed	1,133,100	--	1,133,100	1,046,500	--	1,046,500
Nursery	233,824	3,147	236,971	231,354	3,379	234,733
	5,768,267	821,202	6,589,469	5,392,978	1,110,442	6,503,420
OTHER PROFESSIONAL SERVICES:						
Radiology	942,570	4,444,909	5,387,479	1,067,114	4,311,574	5,378,688
Laboratory	1,525,540	3,265,489	4,791,029	1,774,986	3,033,930	4,808,916
Drugs	2,462,969	1,485,621	3,948,590	2,835,586	1,534,325	4,369,911
Operating room	517,186	3,538,958	4,056,144	634,657	3,637,191	4,271,848
Emergency room	143,490	3,861,102	4,004,592	306,596	3,824,720	4,131,316
Respiratory therapy	886,798	577,126	1,463,924	787,113	487,287	1,274,400
Ambulance	154,776	993,457	1,148,233	180,730	960,860	1,141,590
Medical supplies	187,807	417,951	605,758	373,103	404,801	777,904
Physical therapy	151,633	526,045	677,678	131,980	494,976	626,956
Anesthesiology	196,390	427,872	624,262	200,834	349,973	550,807
Delivery and labor room	105,592	133,811	239,403	171,788	171,263	343,051
Stratford clinic	433	377,087	377,520	238	336,484	336,722
Jewell clinic	--	329,007	329,007	--	282,930	282,930
Occupational therapy	110,181	111,673	221,854	82,927	125,474	208,401
Main clinic	35,754	184,723	220,477	23,316	182,390	205,706
Dayton clinic	--	--	--	--	156,709	156,709
Cardiac rehabilitation	--	203,271	203,271	182	152,264	152,446
Diabetes education	--	26,191	26,191	--	26,099	26,099
Speech therapy	6,266	9,617	15,883	5,909	15,929	21,838
Wound clinic	--	14,982	14,982	--	15,934	15,934
Pain clinic	--	21,226	21,226	--	--	--
	7,427,385	20,950,118	28,377,503	8,577,059	20,505,113	29,082,172
GROSS PATIENT SERVICE REVENUE	$ 13,195,652	21,771,320	34,966,972	13,970,037	21,615,555	35,585,592
DEDUCTIONS FROM PATIENT SERVICE REVENUE:						
Medicare and Medicaid			(8,020,860)			(8,279,368)
Other adjustments			(5,008,740)			(4,737,623)
Charity care			(408,965)			(558,106)
NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR BAD DEBT			21,528,407			22,010,495
Provision for bad debts			(927,443)			(1,832,412)
NET PATIENT SERVICE REVENUE			$ 20,600,964			20,178,083

See accompanying independent auditor's report

Exhibit 2

Other Operating Revenue
For the Years Ended June 30, 2015 and 2014

		2015	2014
State of Iowa electronic health records incentive payments	$	101,700	203,400
CMS electronic health records incentive payments		33,200	256,864
Services to outside entities		134,303	3,409
Cafeteria		84,788	96,546
Rebates		23,051	18,769
Specialty clinic		12,450	15,072
Grants and donations		24,938	9,703
Rentals		530	17,890
Other		7,441	21,216
	$	422,401	642,869

See accompanying independent auditor's report

Hamilton County Public Hospital d/b/a
Van Diest Medical Center

Exhibit 3

Departmental Expenses
For the Years Ended June 30, 2015 and 2014

	2015			2014 (not restated)		
	Salaries	**Other**	**Total**	**Salaries**	**Other**	**Total**
NURSING SERVICES:						
Acute patients	$ 1,897,131	691,657	2,588,788	1,885,178	780,382	2,665,560
Nursery	64,108	28,094	92,202	71,955	33,152	105,107
	1,961,239	719,751	2,680,990	1,957,133	813,534	2,770,667
OTHER PROFESSIONAL SERVICES:						
Emergency room	898,312	1,206,981	2,105,293	830,141	1,282,343	2,112,484
Operating room	981,114	880,123	1,861,237	1,008,080	1,037,251	2,045,331
Laboratory	364,068	621,343	985,411	357,416	672,049	1,029,465
Radiology	381,153	436,557	817,710	359,801	572,507	932,308
Drugs	--	583,043	583,043	--	708,278	708,278
Pharmacy	290,507	280,090	570,597	307,342	312,666	620,008
Main clinic	614,090	188,392	802,482	380,628	187,473	568,101
Anesthesiology	254,922	165,787	420,709	206,129	256,108	462,237
Respiratory therapy	153,850	206,766	360,616	187,060	196,202	383,262
Medical supplies	--	205,499	205,499	--	327,401	327,401
Ambulance	203,378	102,986	306,364	204,346	107,152	311,498
Physical therapy	--	317,520	317,520	--	295,767	295,767
Jewell clinic	74,236	93,352	167,588	174,391	91,492	265,883
Stratford clinic	45,870	69,686	115,556	154,754	91,564	246,318
Dayton clinic	--	--	--	146,875	79,623	226,498
Central supply	115,647	90,703	206,350	101,227	65,782	167,009
Delivery and labor room	71,350	49,082	120,432	71,393	55,168	126,561
Occupational therapy	--	112,823	112,823	--	103,542	103,542
Cardiac rehabilitation	61,393	27,237	88,630	59,202	25,700	84,902
Specialty clinic	5,895	2,571	8,466	11,665	4,339	16,004
Diabetes education	--	21,956	21,956	--	12,871	12,871
Speech therapy	--	8,318	8,318	--	10,919	10,919
Wound clinic	2,638	1,338	3,976	2,085	697	2,782
Pain clinic	2,299	30,388	32,687	--	--	--
Social service	--	--	--	--	13	13
Durable medical equipment	--	--	--	(1,475)	(14,762)	(16,237)
	4,520,722	5,702,541	10,223,263	4,561,060	6,482,145	11,043,205
GENERAL SERVICES:						
Plant operations	175,873	701,836	877,709	190,911	584,205	775,116
Dietary	298,491	256,270	554,761	326,928	271,042	597,970
Housekeeping	251,272	150,879	402,151	245,152	143,023	388,175
Laundry	--	88,567	88,567	--	96,602	96,602
	725,636	1,197,552	1,923,188	762,991	1,094,872	1,857,863
ADMINISTRATIVE SERVICES:	1,697,349	2,306,941	4,004,290	1,604,082	2,137,895	3,741,977
NONDEPARTMENTAL:						
Depreciation	--	3,356,925	3,356,925	--	3,396,333	3,396,333
Insurance	--	360,474	360,474	--	310,304	310,304
	--	3,717,399	3,717,399	--	3,706,637	3,706,637
TOTAL EXPENSES	$ 8,904,946	13,644,184	22,549,130	8,885,266	14,235,083	23,120,349

See accompanying independent auditor's report

Exhibit 4

Patient Receivables and Allowance for Doubtful Accounts
June 30, 2015 and 2014

ANALYSIS OF AGING:

	2015		2014	
Days Since Discharge	Amount	Percent of Total	Amount	Percent of Total
0-30	$ 2,816,839	54.38 %	2,853,698	42.89 %
31-60	804,136	15.52	1,353,281	20.34
61-90	315,132	6.08	568,071	8.54
91-120	279,444	5.40	418,432	6.29
121 and over	964,094	18.62	1,460,292	21.94
	5,179,645	100.00 %	6,653,774	100.00 %
Durable medical equipment	738		738	
Less:				
Allowance for doubtful accounts	(1,280,559)		(1,130,060)	
Allowance for contractual adjustments	(1,644,947)		(2,004,781)	
	$ 2,254,877		3,519,671	

	2015	2014
ALLOWANCE FOR DOUBTFUL ACCOUNTS:		
Balance, beginning of year	$ (1,130,060)	(1,106,000)
Provision of uncollectible accounts	(927,443)	(1,832,412)
Recoveries of accounts previously written off	(245,246)	390,016
Accounts written off	1,022,190	1,418,336
Balance, end of year	$ (1,280,559)	(1,130,060)

See accompanying independent auditor's report

Hamilton County Public Hospital d/b/a
Van Diest Medical Center

Exhibit 5

Inventories/Prepaid Expenses
June 30, 2015 and 2014

		2015	2014
INVENTORIES:			
Central supply	$	583,754	596,077
Pharmacy		403,328	360,428
Laboratory		40,282	49,367
General		32,951	39,467
Dietary		10,151	15,239
Radiology		8,204	10,537
Clinics		6,512	7,683
	$	1,085,182	1,078,798
PREPAID EXPENSES:			
Maintenance	$	228,925	111,226
Insurance		141,544	106,777
	$	370,469	218,003

See accompanying independent auditor's report

Financial and Statistical Highlights
For the Years Ended June 30, 2015 and 2014

	2015	2014
Patient days:		
Adult and pediatric -		
Medicare	2,003	1,901
All other	1,033	1,153
	3,036	3,054
Swing-bed	1,259	1,196
Newborn	272	276
Total	4,567	4,526
Patient discharges:		
Hospital adult and pediatric -		
Medicare	529	525
All other	318	274
Total	847	799
Average length of stay (based on discharge days):		
Hospital adult and pediatric -		
Medicare	3.78 days	3.62 days
All other	3.25 days	4.21 days
Surgical procedures	1,052	1,065
Emergency room visits	5,681	5,458
Number of employees - full-time equivalents	165.40	170.68

See accompanying independent auditor's report

SEIM JOHNSON

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

To the Board of Trustees
Hamilton County Public Hospital d/b/a
Van Diest Medical Center
Webster City, IA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hamilton County Public Hospital d/b/a Van Diest Medical Center (Medical Center) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements, and have issued our report thereon dated October 26, 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.

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the 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.

Seim Johnson, LLP > 18081 Burt Street, Suite 200 > Omaha, NE 68022-4722 > Tel: 402.330.2660 > Fax: 402.330.5108 > SeimJohnson.com

Purpose of this Report

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

Seim Johnson, LLP

Omaha, Nebraska,
October 26, 2015.

Schedule of Findings and Reponses
For the Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results

(a) An unmodified opinion was issued on the financial statements.

(b) No significant deficiencies or material weaknesses in internal control over financial reporting were identified by the audit of the financial statements.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Internal control deficiencies:

No matters were reported.

Instances of Non-Compliance:

No matters were reported.

Part III: Other Findings Related to Required Statutory Reporting

III-A-15 Official Depositories: A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2015.

III-B-15 Certified Budget: Medical Center disbursements during the year ended June 30, 2015 did not exceed amounts budgeted.

III-C-15 Questionable Expenditure: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-D-15 Travel Expense: No expenditures of Medical Center money for travel expenses of spouses of Medical Center officials and/or employees were noted.

III-E-15 Business Transactions: No business transactions between the Medical Center and Medical Center officials and/or employees were noted to violate Chapter 347.9A(2)(a) of the Code of Iowa which limits a trustee’s pecuniary interest in the purchase or sale of any commodities or supplies procured for or disposed of by said Medical Center to $1,500 without publicly invited and opened written competitive bids.

III-F-15 Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

III-G-15 Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Medical Center's investment policy.

III-H-15 Publication of Bills Allowed and Salaries: Chapter 347.13(11) of the Code of Iowa states in part, "There shall be published quarterly in each of the official newspapers of the county as selected by the board of supervisors pursuant to Section 349.1 the schedule of bills allowed and there shall be published annually in such newspaper the schedule of salaries paid by job classification and category…" We noted no instances of noncompliance with the publication of bills allowed and salaries. The Medical Center publishes a list of expenditures quarterly which are summarized by major classification and vendor. They also publish a schedule of salaries annually by category.

Audit Staff
For the Year Ended June 30, 2015

This audit was performed by:

Roger Thompson, CPA, FHFMA, Partner

Jeremy J. Behrens, CPA, FHFMA, Senior Manager

John M. Shurtliff, CPA, In-charge

Jaiden N. Potter, Auditor