

**Jackson County Regional Health Center
Maquoketa, Iowa**

FINANCIAL REPORT

June 30, 2015

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**Jackson County Regional Health Center
OFFICIALS
June 30, 2015**

BOARD OF TRUSTEES

Expiration of term

Officers

Kevin Burns, Chairperson

December 31, 2018

Gloria Jorgensen, Vice Chairperson

December 31, 2018

Eilene Busch, Secretary

December 31, 2020

Dwain Trenkamp, Treasurer

December 31, 2018

Members

Leighton Hepker

December 31, 2016

Mike Nickeson

December 31, 2016

Bob Specht

December 31, 2020

HEALTH CENTER MANAGEMENT

Curt Coleman, President of Critical Access Hospitals, Genesis Health System

Penelope L. Soucie, Chief Financial Officer, Jackson County Regional Health Center



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Jackson County Regional Health Center
Maquoketa, Iowa

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

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

Emphasis of Matter

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

Opinion

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

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of comparative budgetary reporting, the schedule of the Health Center's proportionate share of the net position liability, and the schedule of Health Center pension contributions on pages 6-11 and 29-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2015, on our consideration of the Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Center's internal control over financial reporting and compliance.



DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 21, 2015

Jackson County Regional Health Center MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

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

Required Financial Statements

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

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

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

Financial Highlights

- Total assets increased by \$409,504, or 2%, to \$27,450,400
- Total assets whose use is limited increased by \$72,169 to \$11,451,319
- Total capital assets decreased by \$610,257 to \$6,662,024
- Total net position, as restated, increased by \$839,286 to \$21,513,065
- Net patient service revenue increased by \$147,354, or 1%, to \$12,667,530
- Operating expenses increased by \$102,283, or 1%, to \$13,501,583

Financial Analysis of the Health Center

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

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

Table 1
Condensed Statements of Net Position

	June 30		
	<u>2015</u>	<u>2014</u> (Not restated)	<u>2013</u> (Not restated)
Current assets	\$ 9,337,057	\$ 8,389,465	\$ 8,635,377
Noncurrent assets whose use is limited	11,451,319	11,379,150	9,322,452
Capital assets	<u>6,662,024</u>	<u>7,272,281</u>	<u>8,105,513</u>
Total assets	<u>27,450,400</u>	<u>27,040,896</u>	<u>26,063,342</u>
Deferred outflows of resources	<u>547,215</u>	—	—
Current liabilities	1,626,440	1,647,132	2,651,667
Noncurrent liabilities	<u>2,588,515</u>	<u>222,516</u>	—
Total liabilities	<u>4,214,955</u>	<u>1,869,648</u>	<u>2,651,667</u>
Deferred inflows of resources	<u>2,269,595</u>	<u>977,000</u>	—
Net investment in capital assets	6,662,024	7,272,281	8,105,513
Unrestricted	<u>14,851,041</u>	<u>16,921,967</u>	<u>15,306,162</u>
Total net position	<u>\$21,513,065</u>	<u>\$24,194,248</u>	<u>\$23,411,675</u>

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated and decreased by \$3,520,469 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal years 2013 and 2014 were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

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

	Year ended June 30		
	2015	2014 (Not restated)	2013 (Not restated)
Net patient service revenue	\$12,667,530	\$12,520,176	\$12,957,088
Other revenue	591,770	558,853	137,811
Total revenue	<u>13,259,300</u>	<u>13,079,029</u>	<u>13,094,899</u>
Salaries	4,623,418	4,975,166	5,041,193
Supplies and expenses	7,569,383	7,079,792	6,798,193
Provision for depreciation	1,308,782	1,344,342	1,162,089
Total expenses	<u>13,501,583</u>	<u>13,399,300</u>	<u>13,001,475</u>
Operating income (loss)	<u>(242,283)</u>	<u>(320,271)</u>	<u>93,424</u>
County taxes	977,000	950,000	952,860
Investment income	98,934	83,137	80,251
Gain (loss) on sale of equipment	(4,365)	9,870	1,200
Unrestricted contributions	10,000	59,837	515
Total nonoperating gains	<u>1,081,569</u>	<u>1,102,844</u>	<u>1,034,826</u>
Change in net position	839,286	782,573	1,128,250
Total net position, beginning	<u>20,673,779</u>	<u>23,411,675</u>	<u>22,283,425</u>
Total net position, ending	<u>\$21,513,065</u>	<u>\$24,194,248</u>	<u>\$23,411,675</u>

Operating and Financial Performance

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

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

Volume: Medical and surgical discharges for fiscal year 2015 were 81 compared to 71 in fiscal year 2014. Average length of stay was 2.77 for fiscal year 2015 compared to 2.85 in fiscal year 2014 as patient days increased to 224 from 202 in 2014. Volume on the outpatient side indicated positive growth in 2015. In 2015, gross outpatient charges increased to \$21,084,645 compared to \$19,025,938 in 2014. Emergency service, radiology and pharmacy reflected the most significant increases in 2015.

Price Increase: As is customary annually, the Health Center did review its charge structure and incorporated certain price increases in 2015. Overall, gross patient service revenue increased to \$22,483,104 from \$20,138,958 in 2014.

Payor Mix: The Health Center is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. Contractual adjustments and bad debts were \$9,727,072 in 2015 compared to \$7,388,820 in 2014, representing 43% and 37% of gross patient charges for 2015 and 2014, respectively.

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

Table 3
Payor Mix by Percentage

	<u>Year ended June 30</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Medicare	47%	47%	48%
Medicaid	17	16	13
Commercial insurance	33	32	33
Patients	<u>3</u>	<u>5</u>	<u>6</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue increased to \$591,770 in 2015 compared to \$558,853 in 2014.

Expenses

Approximately 34% of Health Center's expenses are for salaries. Total salaries decreased by 7% to \$4,623,418 in 2015 from \$4,975,166 in 2014. The Health Center departments experiencing the most significant decreases in 2015 were community health and anesthesiology.

Approximately 56% of Health Center's expenses are for supplies and expenses. Total supplies and expenses increased by 7% to \$7,569,383 in 2015 from \$7,079,792 in 2014. The Health Center departments experiencing the most significant increases were emergency service and anesthesiology.

Approximately 10% of Health Center's expenses relate to provision for depreciation. The provision for depreciation decreased to \$1,308,782 in 2015 from \$1,344,342 in 2014.

Nonoperating Gains

Nonoperating gains decreased to \$1,081,569 from \$1,102,844 in 2014. County taxes represent the majority of the nonoperating gains.

Capital Assets

At the end of 2015, the Health Center had \$6,662,024 invested in capital assets, net of accumulated depreciation. The Notes to the Financial Statements provide more detail of changes in capital assets. In 2015, \$702,890 was spent to acquire capital assets.

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

**Table 4
Capital Assets**

	June 30		
	2015	2014 (Not restated)	2013 (Not restated)
Land	\$ 134,101	\$ 134,101	\$ 134,101
Land improvements	196,603	184,357	174,143
Building and improvement	16,082,876	15,964,899	15,937,817
Major movable equipment	<u>7,428,596</u>	<u>7,321,779</u>	<u>7,047,361</u>
Subtotal	23,842,176	23,605,136	23,293,422
Less accumulated depreciation	<u>(17,180,152)</u>	<u>(16,332,855)</u>	<u>(15,187,909)</u>
Net capital assets	<u>\$ 6,662,024</u>	<u>\$ 7,272,281</u>	<u>\$ 8,105,513</u>

Deferred Outflows and Inflows of Resources

As of June 30, 2015, the Health Center reported \$547,215 of deferred outflows of resources and \$2,269,595 of deferred inflows of resources. The Notes to the Financial Statements provide more detail regarding the nature and components of the deferred outflows and inflows of resources.

Performance Compared to County Hospital Budget

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

**Table 5
Actual vs Budget**

	Actual budget basis	Annual County Hospital budget	Variance
Amount to be raised by taxation	\$ 977,000	\$ 956,991	\$ 20,009
Other revenues/receipts	<u>13,363,869</u>	<u>13,059,168</u>	<u>304,701</u>
	14,340,869	14,016,159	324,710
Expenses/expenditures	<u>13,121,587</u>	<u>13,170,098</u>	<u>(48,511)</u>
Net	<u>\$ 1,219,282</u>	<u>\$ 846,061</u>	<u>\$ 373,221</u>

Actual other revenues/receipts results were higher than County Hospital budget primarily due to higher than expected patient volumes during the current year. Expenses/expenditures were slightly lower than County Hospital budget.

Economic and Other Factors and Next Year's Budget

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

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

Contacting Health Center's Management

This financial report is designed to provide users with a general overview of the Health Center's finances and to demonstrate the Health Center's accountability. If you have questions about this report or need additional information, contact Jackson County Regional Health Center at (563) 652-2474 or write care of: Chief Financial Officer, Jackson County Regional Health Center, 700 W. Grove Street, P.O. Box 910, Maquoketa, Iowa 52060-9988.

**Jackson County Regional Health Center
STATEMENTS OF NET POSITION**

	June 30	
	<u>2015</u>	<u>2014</u> (Not restated)
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,661,839	\$ 4,520,714
Patient receivables, less allowances for contractual adjustments and bad debts	1,876,736	2,249,434
Other receivables	22,847	22,473
Estimated third-party payor settlements	60,000	-
Inventories	441,023	414,104
Prepaid expenses	258,612	205,740
Succeeding year property tax receivable	<u>1,016,000</u>	<u>977,000</u>
Total current assets	<u>9,337,057</u>	<u>8,389,465</u>
ASSETS WHOSE USE IS LIMITED		
Cash and cash equivalents designated by board for plant replacement and expansion	<u>11,451,319</u>	<u>11,379,150</u>
CAPITAL ASSETS	23,842,176	23,605,136
Less accumulated depreciation	<u>17,180,152</u>	<u>16,332,855</u>
Net capital assets	<u>6,662,024</u>	<u>7,272,281</u>
Total assets	<u>27,450,400</u>	<u>27,040,896</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>547,215</u>	<u>-</u>
CURRENT LIABILITIES		
Accounts payable	436,198	274,926
Due to Hospital Auxiliary	-	250,000
Accrued employee compensation	420,411	416,157
Payroll taxes and amounts withheld from employees	72,315	83,533
Estimated third-party payor settlements	475,000	400,000
Deferred incentive revenue, current	<u>222,516</u>	<u>222,516</u>
Total current liabilities	<u>1,626,440</u>	<u>1,647,132</u>
LONG-TERM LIABILITIES		
Deferred incentive revenue	-	222,516
Net pension liability	<u>2,588,515</u>	<u>-</u>
Total long-term liabilities	<u>2,588,515</u>	<u>222,516</u>
Total liabilities	<u>4,214,955</u>	<u>1,869,648</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable property tax revenue	1,016,000	977,000
Pension related deferred inflows	<u>1,253,595</u>	<u>-</u>
Total deferred inflows of resources	<u>2,269,595</u>	<u>977,000</u>
NET POSITION		
Net investment in capital assets	6,662,024	7,272,281
Unrestricted	<u>14,851,041</u>	<u>16,921,967</u>
Total net position	<u>\$21,513,065</u>	<u>\$24,194,248</u>

See Notes to Financial Statements.

Jackson County Regional Health Center
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year ended June 30	
	2015	2014 (Not restated)
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2015 \$602,202; 2014 \$839,773	\$12,667,530	\$12,520,176
OTHER REVENUE	<u>591,770</u>	<u>558,853</u>
Total revenue	<u>13,259,300</u>	<u>13,079,029</u>
OPERATING EXPENSES		
Nursing service	4,493,254	4,269,291
Other professional service	3,630,317	3,575,869
General service	1,244,466	1,158,292
Fiscal and administrative service and unassigned expenses	2,824,764	3,051,506
Provision for depreciation	<u>1,308,782</u>	<u>1,344,342</u>
Total operating expenses	<u>13,501,583</u>	<u>13,399,300</u>
Operating (loss)	<u>(242,283)</u>	<u>(320,271)</u>
NONOPERATING GAINS (LOSSES)		
County taxes	977,000	950,000
Interest income	98,934	83,137
Gain (loss) on disposal of equipment	(4,365)	9,870
Unrestricted contributions	<u>10,000</u>	<u>59,837</u>
Total nonoperating gains (losses)	<u>1,081,569</u>	<u>1,102,844</u>
Change in net position	839,286	782,573
TOTAL NET POSITION		
Beginning	<u>20,673,779</u>	<u>23,411,675</u>
Ending	<u>\$21,513,065</u>	<u>\$24,194,248</u>

**Jackson County Regional Health Center
STATEMENTS OF CASH FLOWS**

	Year ended June 30	
	2015	2014
		<small>(Not restated)</small>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$13,055,228	\$12,654,703
Cash paid to suppliers for goods and services	(7,744,702)	(7,603,963)
Cash paid to employees for services	(4,619,164)	(4,985,653)
Other operating revenue and cash received	146,222	1,253,885
Net cash provided by operating activities	<u>837,584</u>	<u>1,318,972</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes	977,000	950,000
Contributions received	10,000	59,837
Net cash provided by noncapital financing activities	<u>987,000</u>	<u>1,009,837</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(702,890)	(511,110)
Proceeds from sale of equipment	-	9,870
Net cash (used in) capital and related financial activities	<u>(702,890)</u>	<u>(501,240)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>91,600</u>	<u>84,743</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,213,294	1,912,312
CASH AND CASH EQUIVALENTS		
Beginning	<u>15,899,864</u>	<u>13,987,552</u>
Ending	<u>\$17,113,158</u>	<u>\$15,899,864</u>

See Notes to Financial Statements.

**Jackson County Regional Health Center
STATEMENTS OF CASH FLOWS (continued)**

	Year ended June 30	
	2015	2014
		<small>(Not restated)</small>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating (loss)	\$ (242,283)	\$ (320,271)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	1,308,782	1,344,342
Changes in assets, liabilities, deferred outflows and deferred inflows		
Patient receivables	372,698	159,527
Other receivables	6,960	(12,666)
Net estimated third-party payor settlements	15,000	(25,000)
Inventories	(26,919)	(15,281)
Prepaid expenses	(52,872)	(79,660)
Pension related deferred outflows	(105,821)	-
Accounts payable	161,272	(367,060)
Due to Hospital Auxiliary	(250,000)	250,000
Accrued employee compensation	4,254	(10,487)
Payroll taxes and amounts withheld from employees	(11,218)	(49,504)
Deferred incentive revenue	(222,516)	445,032
Net pension liability	(1,373,348)	-
Pension related deferred inflows	<u>1,253,595</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 837,584</u>	<u>\$ 1,318,972</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO THE STATEMENTS OF FINANCIAL POSITION		
Per statements of financial position		
Current assets, cash and cash equivalents	\$ 5,661,839	\$ 4,520,714
Assets whose use is limited		
Cash and cash equivalents designated by board for plant replacement and expansion	<u>11,451,319</u>	<u>11,379,150</u>
Total per statements of cash flows	<u>\$17,113,158</u>	<u>\$15,899,864</u>

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Measurement Focus and Basis of Accounting

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

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

Accounting Standards

The Health Center has elected to apply all applicable Government Accounting Standards Board pronouncements.

Cash and Cash Equivalents

Cash and cash equivalents include money market funds and certificates of deposit.

Inventories

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

Property Tax Receivable

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

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

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

Net Pension Liability

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Net Position

Net position is presented in the following three components:

Net investment in capital assets

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of long-term debt that are attributable to the acquisition, construction, or improvement of those assets. The Health Center has no long-term debt.

Restricted

Restricted net position consists of funds on which constraints have been externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws or regulations of other governments. The Health Center has no restricted net position.

Unrestricted

Unrestricted net position has no externally imposed restrictions on use.

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Charity Care

The Health 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 Health Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Net Patient Service Revenue

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

Revenues, Expenses, and Changes in Net Position

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

Credit Policy

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

Accounting Estimates and Assumptions

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

Reclassifications

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

NOTE 2 CASH AND CASH EQUIVALENTS

The Health Center's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance, collateralized securities, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Health 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.

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

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 PATIENT RECEIVABLES

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

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Medicare	\$ 885,970	\$1,018,253
Medicaid	304,739	417,351
Commercial insurance	1,370,374	1,208,992
Patients	<u>200,653</u>	<u>464,838</u>
Total patient receivables	2,761,736	3,109,434
Less allowances for contractual adjustments and bad debts	<u>(885,000)</u>	<u>(860,000)</u>
Net patient receivables	<u>\$1,876,736</u>	<u>\$2,249,434</u>

NOTE 4 CAPITAL ASSETS

A summary of capital assets and related accumulated depreciation follows:

	<u>June 30, 2015</u>		<u>June 30, 2014</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 134,101	\$ -	\$ 134,101	\$ -
Land improvements	196,603	146,720	184,357	140,865
Building and improvements	16,082,876	11,445,312	15,964,899	10,788,813
Major movable equipment	<u>7,428,596</u>	<u>5,588,120</u>	<u>7,321,779</u>	<u>5,403,177</u>
Totals	<u>\$23,842,176</u>	<u>\$17,180,152</u>	<u>\$23,605,136</u>	<u>\$16,332,855</u>

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

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 134,101	\$ -	\$ -	\$ 134,101
Land improvements	184,357	12,246	-	196,603
Building and improvements	15,964,899	117,977	-	16,082,876
Major movable equipment	<u>7,321,779</u>	<u>572,667</u>	<u>465,850</u>	<u>7,428,596</u>
Totals	23,605,136	702,890	465,850	23,842,176
Less accumulated depreciation	<u>(16,332,855)</u>	<u>(1,308,782)</u>	<u>(461,485)</u>	<u>(17,180,152)</u>
Net capital assets	<u>\$ 7,272,281</u>	<u>\$ (605,892)</u>	<u>\$ 4,365</u>	<u>\$ 6,662,024</u>

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 CAPITAL ASSETS (continued)

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

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 134,101	\$ —	\$ —	\$ 134,101
Land improvements	174,143	10,214	—	184,357
Building and improvements	15,937,817	27,082	—	15,964,899
Major movable equipment	<u>7,047,361</u>	<u>473,814</u>	<u>199,396</u>	<u>7,321,779</u>
Totals	23,293,422	511,110	199,396	23,605,136
Less accumulated depreciation	<u>(15,187,909)</u>	<u>(1,344,342)</u>	<u>(199,396)</u>	<u>(16,332,855)</u>
Net capital assets	<u>\$ 8,105,513</u>	<u>\$ (833,232)</u>	<u>\$ —</u>	<u>\$ 7,272,281</u>

NOTE 5 NET PATIENT SERVICE REVENUE

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

Medicare and Medicaid

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

Other

The Health Center also has payment agreements with commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

NOTE 6 PENSION PLAN

Plan Description

IPERS is a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System. Membership is mandatory for employees of the Health 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.

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 PENSION PLAN (continued)

Pension Benefits

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

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

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

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

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

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 PENSION PLAN (continued)

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Health Center contributed 8.93 percent for a total rate of 14.88 percent. Protection occupation members contributed 6.76 percent of pay and the Health Center contributed 10.14 percent for a total rate of 16.90 percent.

The Health Center's contributions to IPERS for the years ended June 30, 2015 and 2014 were \$408,815 and \$442,850, respectively.

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

At June 30, 2015, the Health Center reported a liability of \$2,588,515 for its proportionate share of the net pension liability. The Health Center net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Health Center's proportion of the net pension liability was based on the Health Center's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the Health Center's proportionate share:

	June 30		Change
	2014	2013	
Health Center's proportionate share	.065269%	.069002%	(.003733)%

For the year ended June 30, 2015, the Health Center recognized pension expense of \$182,919. At June 30, 2015, the Health Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$19,686	\$ —
Change in assumptions	118,714	—
Net difference between projected and actual earnings on pension plan investments	—	1,132,660
Change in proportion and difference between Health Center contributions and proportionate share of contributions	—	120,935
Health Center contributions subsequent to the measurement date	408,815	—
Totals	\$ 547,215	\$1,253,595

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 PENSION PLAN (continued)

\$408,815 reported as deferred outflows of resources related to pensions resulting from the Health 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:

<u>Year ending June 30,</u>	<u>Regular Members</u>	<u>Protection Occupation</u>	<u>Total</u>
2016	\$ (250,409)	\$ (28,676)	\$ (279,085)
2017	(250,409)	(28,676)	(279,085)
2018	(250,409)	(28,676)	(279,085)
2019	(250,409)	(28,676)	(279,085)
2020	<u>1,835</u>	<u>(690)</u>	<u>1,145</u>
Totals	<u>\$ (999,801)</u>	<u>\$ (115,394)</u>	<u>\$ (1,115,195)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

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

Rate of inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

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

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

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 PENSION PLAN (continued)

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>1</u>	(0.69)
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Health 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 Health Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Health Center's proportionate share of the net pension liability (asset)	<u>\$5,204,822</u>	<u>\$2,588,515</u>	<u>\$ 380,401</u>

Pension Plan Fiduciary Net Position

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

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 PENSION PLAN (continued)

Payables to the Pension Plan

At June 30, 2015, the Health Center reported payables to the defined benefit pension plan of approximately \$33,000 for legally required employer contributions and approximately \$22,000 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 7 CHARITY CARE

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

	2015	2014
Charges foregone, based on established rates	\$ <u>88,502</u>	\$ <u>229,962</u>
Equivalent percentage of charity care patients to all patients served	<u>.4%</u>	<u>1.1%</u>

NOTE 8 MALPRACTICE CLAIMS

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

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

NOTE 9 OTHER POST EMPLOYMENT BENEFITS

The Health Center operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses and dependents. There were 76 active members, 3 retired members and 2 members who were spouses of retirees in the plan as of the most recent actuarial valuation date. Participants must be age 55 or older at retirement.

The medical benefit plan is self-insured and is administered by a third party. Retirees under age 65 pay 100% of the full active employee premium rates. This results in an implicit subsidy and an Other Post Employment Benefit, OPEB, liability. The contribution requirements of plan members are established and may be amended by the Health Center. The Health Center currently finances the retiree benefit plan on a pay-as-you-go basis.

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 OTHER POST EMPLOYMENT BENEFITS (continued)

The Health Center's annual OPEB cost is calculated based on the annual required contribution, ARC, of the Health Center, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Health Center's annual OPEB cost, the amount actually contributed to the plan and changes in the Health Center's net OPEB obligation:

	Year ended June 30	
	2015	2014
Annual required contribution, ARC	\$ 10,300	\$ 10,300
Interest on net OPEB obligation	—	100
Adjustment to annual required contribution	<u>(100)</u>	<u>(200)</u>
Annual OPEB cost	10,200	10,200
Contributions made	<u>13,900</u>	<u>12,800</u>
Decrease in net OPEB obligation	(3,700)	(2,600)
Net OPEB obligation, beginning of year	<u>1,500</u>	<u>4,100</u>
 Net OPEB (asset) obligation, end of year	 <u>\$ (2,200)</u>	 <u>\$ 1,500</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the years ended June 30, 2015 and 2014.

For the years ended June 30, 2015 and 2014, the Health Center contributed \$13,900 and \$12,800, respectively, to the plan. The Health Center's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015 and 2014 are summarized as follows:

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB (asset) obligation
June 30, 2015	\$ <u>10,200</u>	<u>136%</u>	\$ <u>(2,200)</u>
June 30, 2014	\$ <u>10,200</u>	<u>125%</u>	\$ <u>1,500</u>

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$154,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$154,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,181,000, and the ratio of the UAAL to the covered payroll was 4.8%. As of June 30, 2015, there were no trust fund assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Following is a Schedule of Funding Progress for the Plan for the most recent actuarial valuation date:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
7/1/2012	\$ <u>—</u>	\$ <u>154,000</u>	\$ <u>154,000</u>	<u>0%</u>	\$ <u>3,181,000</u>	<u>4.8%</u>

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 OTHER POST EMPLOYMENT BENEFITS (continued)

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 2% discount rate based on the Health Center's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 3%. The medical trend rate is reduced 1% each year until reaching the 3% ultimate trend rate.

Mortality rates are from the RP2000 Combined Morality Rates, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Actuary's Pension Handbook.

Projected claim costs of the medical plan are approximately \$667 per month for single retirees. The UAAL is being amortized as a level dollar amount over a period of 30 years.

NOTE 10 MANAGEMENT CONTRACT

The Health Center has a contractual arrangement with Genesis Health System, under which Genesis provides management and other services to the Health Center. The arrangement does not alter the authority or responsibility of the Board of Trustees of the Health Center. The amount paid to Genesis for services during the years ended June 30, 2015 and 2014 was approximately \$917,000 and \$1,000,000, respectively.

NOTE 11 RISK MANAGEMENT

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

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 ACCOUNTING CHANGE/RESTATEMENT

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

	<u>Net position</u>
Net position June 30, 2014, as previously reported	\$24,194,248
Net pension liability at June 30, 2014	(3,961,871)
Deferred outflows of resources related to contributions made After the July 30, 2013 measurement date	<u>441,402</u>
Net position July 1, 2014, as restated	<u>\$20,673,779</u>

Jackson County Regional Health Center
SCHEDULE OF COMPARATIVE BUDGETARY REPORTING
Required Supplementary Information
Year ended June 30, 2015

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

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

	<u>GAAP basis</u>	<u>Budget basis adjustments</u>	<u>Budget basis</u>	<u>County Hospital Budget</u>
Amount to be raised by taxation	\$ 977,000	\$ -	\$ 977,000	\$ 956,991
Other revenues/receipts	<u>13,363,869</u>	<u>-</u>	<u>13,363,869</u>	<u>13,059,168</u>
	14,340,869	-	14,340,869	14,016,159
Expenses/expenditures	<u>13,501,583</u>	<u>(379,996)</u>	<u>13,121,587</u>	<u>13,170,098</u>
Net	839,286	379,996	1,219,282	846,061
Balance, beginning	<u>20,673,779</u>	<u>(3,747,125)</u>	<u>16,926,654</u>	<u>14,533,602</u>
Balance, ending	<u>\$21,513,065</u>	<u>\$(3,367,129)</u>	<u>\$18,145,936</u>	<u>\$15,379,663</u>

**Jackson County Regional Health Center
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**

Required Supplementary Information

<u>Year ended June 30</u>	<u>Actuarial valuation date</u>	<u>Actuarial valuation of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
2011	July 1, 2009	\$ —	\$120,000	\$120,000	0%	\$3,877,000	3.1%
2012	July 1, 2009	—	120,000	120,000	0%	3,838,000	3.1%
2013	July 1, 2012	—	154,000	154,000	0%	3,181,000	4.8%
2014	July 1, 2012	—	154,000	154,000	0%	3,235,000	4.8%
2015	July 1, 2012	—	154,000	154,000	0%	3,170,000	4.9%

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

Jackson County Regional Health Center
SCHEDULE OF THE HEALTH CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
(In Thousands)
Required Supplementary Information

	<u>June 30</u> <u>2015</u>
Health Center's proportion of the net pension liability	.065269%
Health Center's proportionate share of the net pension liability	\$2,589
Health Center's total payroll	\$4,623
Health Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	56%
Plan fiduciary net position as a percentage of the total pension liability	88%

See accompanying notes to required supplementary information - pension liability.

Jackson County Regional Health Center
SCHEDULE OF HEALTH CENTER PENSION CONTRIBUTIONS
Iowa Public Employees' Retirement System
(In Thousands)
Required Supplementary Information

	<u>Year ended June 30</u>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 409	\$ 443	\$ 434	\$ 419
Contributions in relation to the statutorily required contribution	<u>409</u>	<u>443</u>	<u>434</u>	<u>419</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Health Center's total payroll	\$4,623	\$4,975	\$5,041	\$5,230
Contributions as a percentage of total payroll	8.9%	8.9%	8.6%	8.0%

See accompanying notes to required supplementary information - pension liability.

Year ended June 30

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 372	\$ 364	\$ 396	\$ 362	\$ 333	\$ 307
<u>372</u>	<u>364</u>	<u>396</u>	<u>362</u>	<u>333</u>	<u>307</u>
<u>\$ —</u>					
\$5,206	\$5,433	\$6,233	\$6,113	\$5,837	\$5,421
7.2%	6.7%	6.4%	5.9%	5.7%	5.7%

Jackson County Regional Health Center
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year ended June 30, 2015

CHANGES OF BENEFIT TERMS

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 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.



INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees
Jackson County Regional Health Center
Maquoketa, Iowa

We have audited the financial statements of Jackson County Regional Health Center as of and for the years ended June 30, 2015 and 2014, and our report thereon dated August 21, 2015, which expressed an unmodified opinion on those financial statements, appears on pages 4-5. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 21, 2015

**Jackson County Regional Health Center
ANALYSIS OF PATIENT RECEIVABLES**

<u>Age of accounts (by date of discharge)</u>	<u>Amounts</u>		<u>Percent to total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
0 - 30 days (includes patients in Health Center at end of year)	\$1,612,907	\$1,483,126	58.40%	47.70%
31 - 60 days	299,698	456,440	10.85	14.68
61 - 90 days	182,040	253,430	6.59	8.15
91 - 150 days	213,598	314,720	7.73	10.12
Over 150 days	<u>453,493</u>	<u>601,718</u>	<u>16.43</u>	<u>19.35</u>
Totals	<u>2,761,736</u>	<u>3,109,434</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	250,000	140,000		
Medicaid	115,000	150,000		
Other	280,000	210,000		
Bad debts	<u>240,000</u>	<u>360,000</u>		
Total allowances	<u>885,000</u>	<u>860,000</u>		
Totals	<u>\$1,876,736</u>	<u>\$2,249,434</u>		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	<u>\$ 34,706</u>	<u>\$ 34,302</u>		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	<u>54</u>	<u>66</u>		

ANALYSIS OF ALLOWANCE FOR BAD DEBTS

	<u>Amounts</u>		<u>Percent of net patient service revenue</u>	
	<u>Year ended June 30</u>		<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
BALANCE , beginning	\$ 360,000	\$ 410,000		
ADD				
Provision for bad debts	602,202	839,773	4.75%	6.71%
Recoveries of accounts previously written off	<u>228,463</u>	<u>196,119</u>	1.80	1.57
	1,190,665	1,445,892		
DEDUCT				
Accounts written off	<u>950,665</u>	<u>1,085,892</u>	7.50	8.67
BALANCE , ending	<u>\$ 240,000</u>	<u>\$ 360,000</u>		

Jackson County Regional Health Center
PATIENT SERVICE REVENUE
Year ended June 30, 2015, with comparative totals for 2014

	2015			2014
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
DAILY PATIENT SERVICES				
Medical and surgical	\$ 225,284	\$ 107,658	\$ 332,942	\$ 264,477
Skilled care	<u>316,434</u>	<u>—</u>	<u>316,434</u>	<u>274,425</u>
	<u>541,718</u>	<u>107,658</u>	<u>649,376</u>	<u>538,902</u>
OTHER NURSING SERVICES				
Operating and recovery rooms	—	1,571,010	1,571,010	1,620,594
Central supply	51,350	568,863	620,213	587,577
Emergency service	4,805	4,632,291	4,637,096	4,020,166
Ambulance	12,398	1,718,323	1,730,721	1,411,591
Community health	—	24,613	24,613	802,247
	<u>68,553</u>	<u>8,515,100</u>	<u>8,583,653</u>	<u>8,442,175</u>
OTHER PROFESSIONAL SERVICES				
Laboratory	118,781	2,138,646	2,257,427	2,083,335
Radiology	48,228	6,288,277	6,336,505	5,173,946
Nuclear medicine	—	71,680	71,680	46,227
Pharmacy	352,620	950,695	1,303,315	882,084
Anesthesiology	189	800,940	801,129	751,289
Respiratory therapy	2,658	225,615	228,273	193,197
Sleep study	—	239,871	239,871	181,718
Cardiac rehabilitation	—	151,529	151,529	144,933
Physical therapy	120,929	1,033,394	1,154,323	1,118,507
Speech therapy	23,740	37,215	60,955	21,481
Occupational therapy	121,043	91,700	212,743	186,579
Diabetic education	—	41,423	41,423	30,497
General surgery	—	345,370	345,370	309,492
Specialty clinics	—	45,532	45,532	34,596
	<u>788,188</u>	<u>12,461,887</u>	<u>13,250,075</u>	<u>11,157,881</u>
Totals	<u>\$1,398,459</u>	<u>\$21,084,645</u>	22,483,104	20,138,958
Charity care charges foregone, based on established rates			<u>(88,502)</u>	<u>(229,962)</u>
Total gross patient service revenue			22,394,602	19,908,996
Provisions for contractual adjustments and bad debts			<u>(9,727,072)</u>	<u>(7,388,820)</u>
Total net patient service revenue			<u>\$12,667,530</u>	<u>\$12,520,176</u>

**Jackson County Regional Health Center
PROVISIONS FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBTS**

	Year ended June 30	
	2015	2014
Contractual adjustments		
Medicare	\$3,685,881	\$2,660,820
Medicaid	2,566,872	1,595,361
Other adjustments	2,872,117	2,292,866
Provision for bad debts	<u>602,202</u>	<u>839,773</u>
 Totals	 <u>\$9,727,072</u>	 <u>\$7,388,820</u>

OTHER REVENUE

	Year ended June 30	
	2015	2014
Electronic health records meaningful use incentives	\$ 392,516	\$ 392,516
Home delivered meals	-	5,636
Purchase discounts	32,511	41,565
Rehabilitation services	27,162	-
Grants	57,916	43,650
Miscellaneous	<u>81,665</u>	<u>75,486</u>
 Totals	 <u>\$ 591,770</u>	 <u>\$ 558,853</u>

Jackson County Regional Health Center
EXPENSES
Year ended June 30, 2015, with comparative totals for 2014

	<u>2015</u>			<u>2014</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
NURSING SERVICE				
Nursing administration	\$ 130,028	\$ 13,469	\$ 143,497	\$ 129,033
Medical and surgical	792,120	167,311	959,431	788,764
Operating and recovery rooms	196,190	96,315	292,505	319,917
Central supply	33,881	344,635	378,516	275,516
Emergency service	634,858	1,585,458	2,220,316	1,882,716
Ambulance	385,050	84,052	469,102	383,846
Community health	397	29,490	29,887	489,499
Total nursing service	<u>2,172,524</u>	<u>2,320,730</u>	<u>4,493,254</u>	<u>4,269,291</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	289,388	360,913	650,301	608,388
Radiology	324,304	588,062	912,366	864,868
Pharmacy	149,980	404,258	554,238	544,278
Anesthesiology	-	256,489	256,489	246,077
Respiratory therapy	9,478	5,729	15,207	20,946
Sleep study	-	38,228	38,228	24,836
Cardiac rehabilitation	57,832	8,444	66,276	59,497
Physical therapy	224,330	43,788	268,118	314,893
Speech therapy	-	29,453	29,453	20,118
Occupational therapy	76,017	7,122	83,139	75,521
Diabetic education	45,351	1,852	47,203	38,402
General surgery	61,801	347,840	409,641	423,041
Specialty clinics	9,951	2,721	12,672	8,772
Medical records	113,176	173,718	286,894	325,980
Social services	-	92	92	252
Total other professional service	<u>1,361,608</u>	<u>2,268,709</u>	<u>3,630,317</u>	<u>3,575,869</u>
GENERAL SERVICE				
Dietary	134,850	50,627	185,477	160,818
Operation of plant	167,774	677,929	845,703	788,915
Housekeeping	150,394	21,887	172,281	169,333
Laundry	22,035	18,970	41,005	39,226
Total general service	<u>475,053</u>	<u>769,413</u>	<u>1,244,466</u>	<u>1,158,292</u>
FISCAL AND ADMINISTRATIVE SERVICE				
Administrative	50,823	445,068	495,891	458,938
Accounting	163,088	12,797	175,885	147,409
Business office	219,936	131,693	351,629	339,411
Human resources	110,148	40,107	150,255	127,527
Purchasing	62,155	12,847	75,002	80,703
Employee health	7,933	2,250	10,183	13,017
Data processing	150	250,534	250,684	252,946

Jackson County Regional Health Center
EXPENSES (continued)
Year ended June 30, 2015, with comparative totals for 2014

	<u>2015</u>			<u>2014</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
UNASSIGNED EXPENSES				
FICA	\$ —	\$ 333,340	\$ 333,340	\$ 353,005
IPERS	—	182,919	182,919	442,850
Group health, life and other benefits	—	643,597	643,597	675,307
Workers compensation insurance	—	64,616	64,616	72,107
Insurance	—	90,763	90,763	88,286
Total fiscal and administrative service and unassigned expenses	<u>614,233</u>	<u>2,210,531</u>	<u>2,824,764</u>	<u>3,051,506</u>
PROVISION FOR DEPRECIATION	<u>—</u>	<u>1,308,782</u>	<u>1,308,782</u>	<u>1,344,342</u>
Total expenses	<u>\$4,623,418</u>	<u>\$8,878,165</u>	<u>\$13,501,583</u>	<u>\$13,399,300</u>

**Jackson County Regional Health Center
COMPARATIVE STATISTICS
(Unaudited)**

	Year ended June 30	
	2015	2014
PATIENT DAYS		
Medical and surgical	224	202
Swing bed, skilled care	781	767
Totals	1,005	969
DISCHARGES		
Medical and surgical	81	71
Swing bed, skilled care	80	65
Totals	161	136
AVERAGE LENGTH OF STAY		
Medical and surgical	2.77	2.85
Swing bed, skilled care	9.76	11.80



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Jackson County Regional Health Center
Maquoketa, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jackson County Regional Health Center, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated August 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Health 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Health Center's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health 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 Health 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 Health 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. Those comments are presented in Part II of the accompanying Schedule of Findings.

Purpose of this Report

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


DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 21, 2015

**Jackson County Regional Health Center
SCHEDULE OF FINDINGS
Year ended June 30, 2015**

Part I—Findings Related to the Financial Statements

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

**Jackson County Regional Health Center
SCHEDULE OF FINDINGS
Year ended June 30, 2015**

Part II—Findings Related to Required Statutory Reporting

15-II-A CERTIFIED BUDGET

Based on a comparison of actual budget basis expenditures with County Hospital budgeted expenditures, it appears the Health Center did not exceed its budget for the year ended June 30, 2015.

15-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Health Center funds were noted.

15-II-C TRAVEL EXPENSES

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

15-II-D BUSINESS TRANSACTIONS

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

15-II-E BOARD MINUTES

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

15-II-F DEPOSITS AND INVESTMENTS

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