Financial Statements
June 30, 2015 and 2014

Winneshiek
MEDICAL CENTER

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Trustees
Winneshiek Medical Center
Decorah, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Winneshiek Medical Center (Medical Center) and its component unit, Winneshiek Medical Center Foundation, which comprise the statements of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 results of its operations, changes in net position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 15 to the financial statements, the Medical Center adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* which has resulted in the restatement of the net position as of July 1, 2014. In accordance with GASB Statement No. 68, the 2014 financial statements have not been restated to reflect this change. Our 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 Management's Discussion and Analysis on pages 4 through 11, the Budgetary Comparison Information on pages 45 and 46, and the Schedule of the Medical Center's Proportionate Share of the Net Pension Liability, and the Schedule of the Medical Center's Contributions on pages 47 through 49 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 29, 2015 on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Eide Bailly LLP

Dubuque, Iowa
September 29, 2015

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

Overview of Fiscal Year 2015

For the fiscal year 2015, Winneshiek Medical Center decreased its net position by $8,504,415, from June 30, 2014 to June 30, 2015, primarily due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and the restatement of the beginning balance for net pension liability of $12,290,712. With a 6.8% increase in Total Operating Revenues from FY 2014, WMC generated an operating gain of $3,147,139 or an operating margin of 5.9%.

Total Operating Revenues of $53.5 million for the fiscal year included EHR incentive monies received from Medicare and Medicaid of $160,793. Double-digit growth was experienced in both inpatient and outpatient service revenues when compared to FY2014. Over a 10% growth was also experienced in professional service fee revenues compared to FY2014.

Total Operating Expenses of $50.4 million for the fiscal year were 2.1% higher than last fiscal year and favorable to budget. Management successfully challenged the organization to balance the growth in operating expenses with increased net revenues for long term financial sustainability for FY2015 and has continued this challenge for FY2016. The use of the Lean Management System has assisted WMC in gaining operational efficiencies in the delivery of healthcare.

Cash flow improved significantly during the year. Capital improvements of $1.5 million and debt payments of $1.0 million were paid for with cash generated from operations. There was no change in WMC's county property tax subsidy rate from FY2014. No new debt was incurred during the fiscal year. Capital ratios improved accordingly compared to FY2014.

Organization Highlights

For the second time in the last two years, Winneshiek Medical Center was named to the Top 100 Critical Access Hospital list by iVantage Health Analytics, a healthcare business intelligence and technology company. This award is based on an aggregate of hospital-specific data for 66 performance indicator variables, which include quality, outcomes, patient perspective, affordability, population risk and efficiency.

Winneshiek Medical Center's Strategic Plan is organized under six Pillars of Excellence. This ten year plan was refreshed during FY2015 with new three year goals and new strategic one-year priorities for FY2016 for each pillar. Notable improvements over last fiscal year for the Medical Center are organized below under their respective pillar.

- **Health Outcomes**:
  - Updated the nursing leadership structure to enhance 24/7 oversight of nursing care
  - Developed a medication safety work group to review medication administration practices, including medication reconciliation
  - Improved or maintained most quality improvement results for FY2015
    - Exceeded our goal on diabetes measures

- **Patient Satisfaction:**
  - Met or exceeded the Avatar national Top Box average of 80% for overall patient satisfaction
    - Emergency Department received special recognition for consistently exceeding Top Box average scores for patient satisfaction
  - Obstetrics Department far exceeded the Avatar national Top Box average for patient satisfaction. They received Mayo Clinic Health System Service Excellence awards for being above the Top Box 90th percentile compiled from Avatar patient survey data.
  - Winneshiek Medical Center received the Service Excellence Award in the HCAHPS (Hospital Consumer Assessment of Healthcare Providers and Systems) domain of Pain Management. Our facility was in the top 10% of hospitals nationally.
  - WMC Rehabilitation Services developed and implemented a new dementia program.

- **Operational Effectiveness Pillar:**
  - Senior and departmental leadership further deployed the use of Lean Management Systems to facilitate operational efficiencies and process improvement.
    - Implemented an administrative daily huddle to evaluate capacity, access and staffing levels; discuss any potential safety or risk issues, and share any updates pertinent to the daily operations of the organization.

- **Growth Pillar:**
  - Successfully recruited a new physician and an audiologist to the medical practice
  - Growth in total volumes for fiscal year 2015 from 2014 included:
    - Births increased 12%
    - Home Health Care visits increased 16%
    - Hospice visits increased 22%
    - Same Day Services visits increased 17%
    - Emergency Department visits increased 9%
    - Urgent Care visits increased 13%
    - Laboratory tests increased 22%
    - Ultrasound procedures increased 7%
    - Radiology procedures increased 3%
    - CT scans performed increased 11%
    - MRI procedures increased 21%
    - Outpatient Physical Therapy visits increased 27%
    - Clinic visits increased 4%

- **Funding our Future:**
  - Generated net operating income of $3,147,139; increased the operating margin in FY2014 from 1.6% to 5.9% in FY2015
  - Increased the Total Margin by 4.4% from fiscal year 2014 to fiscal year 2015
  - Purchased new capital clinical and non-clinical equipment totaling over $1.5 million
  - Decreased Days of Net Patient Service Revenue in Net Accounts Receivable 2 days
  - Increased Current Ratio from 2.84 to 3.04
  - Increased Days Cash on Hand (all sources) from 52 to 80
  - Increased Debt Service Coverage Ratio from 3.01 to 5.84

Competitive Environment

Like hospitals in many other communities, Winneshiek Medical Center exists within a competitive environment. As the county-owned hospital, people expect Winneshiek Medical Center to provide the services they rely on to care for them in their time of need, such as a 24/7 emergency department, ambulance service and inpatient care—all accredited by The Joint Commission. However, these critical service lines do not always generate enough revenue to be self-sustaining; therefore, the Medical Center depends on patient utilization of other outpatient services such as imaging services, laboratory services, rehabilitation and surgical services to maintain financial stability.

Through Winneshiek Medical Center's relationship with Mayo Clinic Health System, Winneshiek Medical Center is fortunate to be able to recruit full-time physicians in primary care and multiple specialties to serve the patients of Northeast Iowa and Southeast Minnesota. This integrated practice model supports strong local multispecialty care and positions Winneshiek Medical Center to be the leading healthcare provider in the region. It also strengthens Winneshiek Medical Center for adapting to upcoming changes in the delivery of healthcare. This collaboration provides Winneshiek Medical Center with professional resources, economies of scale in purchases, and the ability to excel in providing quality patient care.

This integrated practice model along with community support of the Medical Center is vital in order to continue to provide the critical access hospital services our community expects from us. Utilization of local hospital-based services will help Winneshiek Medical Center sustain its current level of service for Northeast Iowa and Southeast Minnesota, and provide opportunities for continued expansion and investment in the hub of a strong local healthcare system.

Brief Discussion of Financial Statements

The Medical Center's financial statements consist of three statements—the balance sheet, the statement of revenues, expenses, and changes in net position and the statement of cash flows. The financial statements along with the accompanying notes provide information about the activities of the Medical Center, including resources held by the Medical Center. The Medical Center's financial statements offer short and long term information about its activities.

The statements of net position include all of the Medical Center's assets and liabilities, as well as the Winneshiek Medical Center Foundation's net assets. The statements of net position provide information about the nature and amounts of assets owned by the Medical Center and the obligations to Medical Center creditors (liabilities). The statements of net position also provide the basis for evaluating the capital structure of the Medical Center and assessing the liquidity and financial flexibility of the Medical Center.

- The Statements of Net Position indicate the Total Assets and Deferred Outflows of Resources of the Medical Center exceeded its Total Liabilities and Deferred Inflows of Resources by $22,156,905 at June 30, 2015, $30,661,320 at June 30, 2014, and $29,153,224 at June 30, 2013.
- The Medical Center's Current Assets exceeded its Current Liabilities by $13,967,950 at June 30, 2015, $10,709,019 at June 30, 2014, and $9,681,993 at June 30, 2013.
- The Medical Center's Total Assets and Deferred Outflows of Resources increased in 2015 primarily due to an increase in cash and cash equivalents of $3,881,364 and the implementation of GASB 68. Total Assets and Deferred Outflows of Resources slightly decreased in 2014 primarily due to a decrease in the purchase of depreciable capital assets and increased in 2013 by 6.6% primarily due to an increase in cash and cash equivalents.
- The Medical Center's Total Liabilities and Deferred Inflows of Resources increased in 2015 by 119.8% or $14,242,396, decreased in 2014 by 12.9% or $1,763,795, and increased in 2013 by 6.7% or $859,356. The 2015 increase is primarily due to the recording of a net pension liability of $10,089,581 and pension related deferred inflows of $4,045,365 due to the implementation of GASB 68. The 2014 decrease is attributable to an $848,682 decrease in accounts payable balances and payment made on current debt obligations of $1.1 million. 2013's increase is primarily due to an estimated third-party payor settlement of $1,010,000. 2012's decrease was due to payments made on long-term debt.
- The Medical Center's net pension expense decreased approximately $741,000 as a result of the implementation of GASB 68 and the deferral of current year's pension contributions.
- The Medical Center's unrestricted net position decreased approximately $8.339 million, from June 30, 2014 to June 30, 2015, primarily due to the implementation of GASB 68 and the restatement of the beginning balance for net pension liability of $12.291 million.
- 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 $12,290,712 to retroactively report the net pension liability as of June 30, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal years 2013 and 2014 for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net position. These statements measure the improved success of the Medical Center's operations over the past year and can be used to determine whether the Medical Center has successfully recovered all of its costs through its patient service revenue and other revenue sources. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period. The Medical Center's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – is a way to measure financial health or financial position. Net nonoperating revenues of $490,442 and $148,716 in capital grants and contributions brought the excess of revenues over expenses, or increase in net position, to $3,786,297 for the 2015 fiscal year. Net nonoperating revenues of $610,729 and $110,711 in capital grants and contributions brought the excess of revenues over expenses, or increase in net position, to $1,508,096 for the 2014 fiscal year. Net nonoperating revenues of $740,513 and $47,788 in capital grants and contributions brought the excess of revenues over expenses, or increase in net position, to $1,789,548 for the 2013 fiscal year.

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

Capital Assets

Capital additions of $1.5 million for the fiscal year ended June 30, 2015 were funded by cash generated from operations. These additions included ongoing Information Technology upgrades, plant upgrades, and clinical and diagnostic equipment, which included a new patient monitoring system and a new nurse call system.

Assets are owned by Winneshiek Medical Center, a county public critical access hospital.

Long-Term Debt

Winneshiek Medical Center had $5,519,921, $6,470,313, and $7,592,564, in short-term and long-term debt at June 30, 2015, 2014, and 2013, respectively. In 2015, 2014 and 2013, no new debt was incurred and debt payments of $950,392, $1,122,251, and $1,097,645, respectively, were made. The Medical Center's Long-Term Debt to Capitalization ratio and Debt Service Coverage ratio, key capital ratios, improved over the past three year indicating the Medical Center's ability to finance future operations with potential borrowings. Debt incurred between 2005 and 2011 was to finance a new addition, the dialysis center and additional clinic space, the renovation, equipping and furnishing of existing facilities, a Picture Archiving Communication System (PACS), a MRI, and the acquisition and construction of capital improvements and equipment.

Condensed Financial Statements

The following tables on pages 9 and 10 presented for the years ended June 30, 2014 and 2013 have not been restated for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

Condensed Financial Statements of Winneshiek Medical Center and its Component Unit

Statements of Net Position

	June 30, 2015	June 30, 2014	June 30, 2013
Assets and Deferred Outflows of Resources			
Current Assets	$ 20,818,897	$ 16,530,274	$ 16,288,654
Assets limited as to use or restricted	2,042,605	2,047,164	2,068,380
Capital assets, net	21,560,159	22,659,378	23,308,371
Other assets	1,285,780	1,317,565	1,144,675
Total assets	45,707,441	42,554,381	42,810,080
Deferred Outflows of Resources	2,584,921	-	-
Total assets and deferred outflows of resources	$ 48,292,362	$ 42,554,381	$ 42,810,080
Liabilities, Deferred Inflows of Resources, and Net Position			
Current Liabilities	$ 6,850,947	$ 5,821,255	$ 6,606,661
Long-Term Liabilities	14,716,315	5,520,181	6,486,124
Total liabilities	21,567,262	11,341,436	13,092,785
Deferred Inflows of Resources	4,568,195	551,625	564,071
Net Position			
Net investment in capital assets	16,040,238	16,189,065	15,715,807
Restricted	1,862,086	1,878,385	1,722,289
Unrestricted	4,254,581	12,593,870	11,715,128
Total net position	22,156,905	30,661,320	29,153,224
Total liabilites, deferred inflows of resources, and net position	$ 48,292,362	$ 42,554,381	$ 42,810,080

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30,		
	2015	2014	2013
Operating Revenues			
Net patient service revenue (net of provision for bad debts)	$ 52,418,984	$ 48,573,476	$ 45,321,500
Other operating revenues	1,128,322	1,560,166	963,187
Total Operating Revenues	53,547,306	50,133,642	46,284,687
Operating Expenses			
Salaries, wages, and employee benefits	23,445,706	23,431,837	22,068,255
Supplies and other expenses	24,387,856	23,437,392	20,845,400
Depreciation	2,566,605	2,477,757	2,369,785
Total Operating Expenses	50,400,167	49,346,986	45,283,440
Operating Income	3,147,139	786,656	1,001,247
Nonoperating Revenues (Expenses)			
County tax revenue	491,367	454,943	435,899
Interest expense	(141,624)	(163,443)	(191,680)
Foundation net investment income (loss) and contributions	(31,785)	172,890	336,980
Other	172,484	146,339	159,314
Net Nonoperating Revenues	490,442	610,729	740,513
Revenues in Excess of Expenses	3,637,581	1,397,385	1,741,760
Capital Grants and Contributions	148,716	110,711	47,788
Change in Net Position	3,786,297	1,508,096	1,789,548
Net Position Beginning of Year	30,661,320	29,153,224	27,363,676
Restatement	(12,290,712)	-	-
Net Position Beginning of Year, as Restated	18,370,608	29,153,224	27,363,676
Net Position End of Year	$ 22,156,905	$ 30,661,320	$ 29,153,224

Economic and Other Factors and Next Year’s Budget

The Medical Center’s Board of Trustees and management team considered many factors when preparing the fiscal year 2016 budget. Of primary consideration in the 2016 budget are financial challenges of the rapidly changing healthcare environment. Some of the key concerns include:

- the unknown impact of health care reform
- population health management
- impact of both health insurance exchanges and accountable care organizations
- proposed changes in the critical access hospital designation
- changes in Medicare and Medicaid reimbursement rates
- increasing operational costs for staff and supplies
- funding capital and technology improvements
- decreasing inpatient volumes
- governmental mandates
- competition in the local health care market

These concerns are at the forefront as management implements the Medical Center’s new strategic plan one-year priorities. Winneshiek Medical Center’s affiliation with Mayo Clinic Health System strengthens its ability to secure the scope and quality of patient services available to the Northeast Iowa and Southeast Minnesota region. Integration with Mayo Clinic Health System will assist Winneshiek Medical Center as it strategically focuses on how it will need to evolve in their delivery of care on behalf of its patients and the communities it serves.

Summary

The Medical Center’s Board of Trustees continues to be extremely proud of the excellent patient care, dedication, commitment and support each of our 435 employees provides to every person they serve. We would also like to thank each member of the Medical Center’s Medical Staff for their dedication and support provided.

Contacting the Medical Center’s Finance Department

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

Winneshiek Medical Center
Attn: Chief Financial Officer
901 Montgomery Street
Decorah, IA 52101

	2015	2014
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents - Note 3	$ 9,453,216	$ 5,571,852
Receivables		
Patient, net of estimated uncollectibles of $1,979,000 in 2015 and $1,789,000 in 2014	8,977,017	8,601,401
Succeeding year property tax	492,834	481,629
Other	405,339	408,377
Supplies	1,088,592	1,104,907
Prepaid expenses	401,899	362,108
Total current assets	20,818,897	16,530,274
Assets Limited as to Use or Restricted - Note 3		
Internally designated for capital improvements	1,082,571	1,080,564
Restricted for hospice expenditures	137,327	148,295
Restricted by contributors	730,707	726,305
Restricted under bond agreement	92,000	92,000
Total assets limited as to use or restricted	2,042,605	2,047,164
Capital Assets - Note 5		
Capital assets not being depreciated	2,177,372	1,450,335
Depreciable capital assets, net of accumulated depreciation	19,382,787	21,209,043
Total capital assets, net	21,560,159	22,659,378
Other Assets		
Investments held by Foundation - Note 3	1,285,780	1,317,565
Total assets	45,707,441	42,554,381
Deferred Outflows of Resources		
Pension related deferred outflows - Note 7	2,584,921	-
Total assets and deferred outflows of resources	$ 48,292,362	$ 42,554,381

See Notes to Financial Statements

	2015	2014
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Current maturities of long-term debt - Note 9	$ 893,187	$ 950,132
Accounts payable		
Trade	1,344,530	566,067
Related parties - Note 11	107,801	329,542
Estimated health and dental claims payable - Note 12	350,000	350,000
Estimated third-party payor settlements	939,000	527,924
Accrued expenses		
Salaries and wages	1,007,265	965,467
Vacation	1,718,823	1,652,849
Payroll taxes and employee benefits	490,341	479,274
Total current liabilities	6,850,947	5,821,255
Noncurrent Liabilities		
Long-term debt, less current maturities - Note 9	4,626,734	5,520,181
Net pension liability - Note 7	10,089,581	-
Total noncurrent liabilities	14,716,315	5,520,181
Total liabilities	21,567,262	11,341,436
Deferred Inflows of Resources		
Deferred revenue for succeeding year property tax receivable	492,834	481,629
Pension related deferred inflows - Note 7	4,045,365	-
Deferred revenue - contribution, net of accumulated amortization - Note 10	29,996	69,996
Total deferred inflows of resources	4,568,195	551,625
Net Position		
Net investment in capital assets	16,040,238	16,189,065
Restricted		
Expendable for donor purposes	1,770,086	1,786,385
Expendable under bond agreement	92,000	92,000
Unrestricted	4,254,581	12,593,870
Total net position	22,156,905	30,661,320
Total liabilities, deferred inflows of resources, and net position	$ 48,292,362	$ 42,554,381

	2015	2014
Operating Revenues		
Net patient service revenue (net of provision for bad debts of $1,974,000 in 2015 and $1,981,000 in 2014) - Note 2	$ 52,418,984	$ 48,573,476
Other operating revenues	1,128,322	1,560,166
Total operating revenues	53,547,306	50,133,642
Operating Expenses		
Salaries and wages	18,503,355	17,912,470
Employee benefits	4,942,351	5,519,367
Supplies and other expenses	24,387,856	23,437,392
Depreciation	2,566,605	2,477,757
Total operating expenses	50,400,167	49,346,986
Operating Income	3,147,139	786,656
Nonoperating Revenues (Expenses)		
County tax revenue	491,367	454,943
Interest expense	(141,624)	(163,443)
Investment income - Note 3	11,354	11,455
Foundation		
Investment income, net - Note 3	7,081	41,084
Change in value in split-interest agreement	(16,450)	66,868
Contributions, net of fundraising expenses	(22,416)	64,938
Noncapital grants and contributions	17,825	7,117
Rental property, net	142,976	134,556
Gain (loss) on sale of capital assets	329	(6,789)
Nonoperating revenues, net	490,442	610,729
Revenues in Excess of Expenses	3,637,581	1,397,385
Capital Grants and Contributions	148,716	110,711
Change in Net Position	3,786,297	1,508,096
Net Position Beginning of Year	30,661,320	29,153,224
Restatement - Note 15	(12,290,712)	-
Net Position Beginning of Year, as Restated	18,370,608	29,153,224
Net Position End of Year	$ 22,156,905	$ 30,661,320

	2015	2014
Operating Activities		
Receipts from and on behalf of patients	$ 52,454,444	$ 47,901,832
Payments to and on behalf of employees	(23,326,867)	(23,212,253)
Payments to suppliers and contractors	(24,567,972)	(23,881,589)
Other receipts and payments, net	1,131,360	1,485,784
Net Cash from Operating Activities	5,690,965	2,293,774
Noncapital Financing Activities		
Noncapital grants and contributions received	17,825	7,117
County tax revenue received	491,367	454,943
Net Cash from Noncapital Financing Activities	509,192	462,060
Capital and Related Financing Activities		
Purchase of capital assets	(1,494,382)	(1,835,553)
Principal payments on long-term debt	(950,392)	(1,122,251)
Interest payments on long-term debt	(141,624)	(163,443)
Capital grants and contributions	86,300	135,649
Net Cash used for Capital and Related Financing Activities	(2,500,098)	(2,985,598)
Investing Activities		
Investment income	18,435	52,539
Net cash received on rental property	142,976	134,556
Increase in assets held by Foundation	(46,268)	(131,539)
Net purchases of investments	(2,040)	(2,396)
Net Cash from Investing Activities	113,103	53,160
Net Change in Cash and Cash Equivalents	3,813,162	(176,604)
Cash and Cash Equivalents at Beginning of Year	7,684,019	7,860,623
Cash and Cash Equivalents at End of Year	$ 11,497,181	$ 7,684,019

	2015	2014
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents in current assets	$ 9,453,216	$ 5,571,852
Cash and cash equivalents in noncurrent designated and restricted assets	2,043,965	2,112,167
Total cash and cash equivalents	$ 11,497,181	$ 7,684,019
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	$ 3,147,139	$ 786,656
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	2,566,605	2,477,757
Expense of non-capitalized construction in progress	27,325	-
Provision for bad debts	1,974,483	1,981,344
Changes in assets and liabilities		
Patient receivables	(2,350,099)	(2,170,912)
Estimated third-party payor settlements	411,076	(482,076)
Other receivables	3,038	(74,382)
Supplies	16,315	(84,357)
Prepaid expenses	(39,791)	6,766
Accounts payable - trade, related parties, and other	556,722	(306,606)
Estimated health and dental claims payable	-	(60,000)
Accrued expenses	118,839	219,584
Net pension liability	(3,764,034)	-
Deferred outflows of resources	(1,022,018)	-
Deferred inflows of resources	4,045,365	-
Net Cash from Operating Activities	$ 5,690,965	$ 2,293,774

Note 1 - Reporting Entity and Significant Accounting Policies

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

Reporting Entity

The Medical Center is a 25-bed county public critical access hospital located in Decorah, Iowa. The Medical Center is organized under Chapter 347A of the Iowa Code and receives tax support from Winneshiek County, Iowa. The Medical Center serves patients of whom are, substantially all county residents or from other areas of northeastern Iowa and southeastern Minnesota.

For financial reporting purposes, the Medical Center has included all funds, organizations, agencies, boards, commissions, and authorities. The Medical Center has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Medical Center are such that exclusion would cause the Medical Center's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria 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.

Blended Component Unit

Winneshiek Medical Center Foundation (Foundation) is included as a blended component unit of the Medical Center. The financial statements include only the financial activity of the Medical Center and the Foundation, collectively referred to as the Medical Center. Financial statements of the Foundation can be obtained by contacting the Medical Center's Chief Financial Officer.

Tax Exempt Status

The Medical Center and Foundation are organized as Iowa non-profit corporations and have been recognized by the Internal Revenue Service as exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3). The Organizations are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes, as applicable. The Organizations have determined that they are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS.

The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Measurement Focus and Basis of Accounting

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

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

Basis of Presentation

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

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

Restricted net position:

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

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

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

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use or restricted and investments held by the Foundation. For purposes of the statement of cash flows, the Medical Center considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Patient Receivables

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

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

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

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

Physician Advances

The Medical Center has entered into agreements to recruit and support needed physician specialists to the communities served by the Medical Center. All monies advanced under these agreements will be forgiven over a specified period in which the physician practices in the community. Advances must be repaid if the physician fails to fulfill their contract responsibilities. Physician advances are included in other receivables on the statements of net position.

Property Tax Receivable

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

Property tax revenue recognized by the Medical Center becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013, assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015, and reflects the tax asking contained in the budget certified by the County Auditor in March 2014.

Supplies

Supplies are valued at cost using the first-in, first-out method.

Assets Limited as to Use or Restricted

Assets limited as to use include assets which have been internally designated by the Medical Center's Board of Trustees and assets which have been restricted by contributors or grantors. Board designated assets remain under the control of the Board of Trustees which may, at its discretion, later use the funds for other purposes.

Restricted funds are used to differentiate funds which are limited by the donor or grantor to specific uses from funds on which the donor places no restriction or which arise as a result of the operation of the Medical Center for its stated purposes. Resources set aside for Board-designated purposes are not considered to be restricted. Resources restricted by donors or grantors for specific operating purposes are reported in nonoperating revenues to the extent expended within the period.

Investment Income

Interest on deposits and investments is included in nonoperating revenues and expenses.

Capital Assets

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

The estimated useful lives of capital assets are as follows:

Land improvements	10-20 years
Buildings and improvements	5-40 years
Equipment	3-15 years

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.

Financing Costs

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

Compensated Absences

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

Estimated Health Claims Payable

The Medical Center provides for self-insurance reserves for estimated incurred but not reported claims for its employee health and dental plans. These reserves, which are included in current liabilities on the statements of net position, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the estimates is identified.

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.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, deferred contribution revenue that will be amortized into income over a length of time, and unrecognized items not yet charged to pension expense.

Operating Revenues and Expenses

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

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, discounted charges, and per diem payments. 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 and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Medical Center recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above. For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated.

On the basis of historical experience, a certain portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. As a result, the Medical Center records a provision for bad debts related to uninsured patients in the period the services are provided.

Charity Care and Community Benefits

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue the collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges foregone for services provided under the Medical Center's charity care were $263,729 and $200,651 for the years ended June 30, 2015 and 2014. Total direct and indirect costs related to these foregone charges were $136,000 and $114,000 at June 30, 2015 and 2014, based on an average ratio of cost to gross charges.

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

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

Grants and Contributions

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

Electronic Health Record Incentive Payments

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

Medicare

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

Medicaid

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

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

Advertising Costs

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

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

As of July 1, 2014, the Medical Center adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires government employers calculate and report the costs and obligations associated with pensions in their financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 15 and the additional disclosures required by these standards are included in Note 7.

Note 2 - 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

The Medical Center is licensed as a Critical Access Hospital (CAH). The Medical Center is reimbursed for most inpatient and outpatient services under a cost reimbursement methodology, with final settlement determined after submission of annual cost reports by the Medical Center and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Medical Center’s Medicare cost reports have been settled by the MAC through the year ended June 30, 2014. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology. The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid fiscal intermediary. The Medical Center’s Medicaid cost reports have been processed by the Medicaid fiscal intermediary through June 30, 2012.

Other Payors

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

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

	2015	2014
Medicare	42%	42%
Medicaid	6%	5%
Wellmark	26%	27%
Other	26%	26%
	100%	100%

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient service revenue for the years ended June 30, 2015 and 2014 increased approximately $280,000 and $54,000, respectively, due to prior-year retroactive adjustments in excess of amounts previously estimated and years that are no longer subject to audits, reviews, and investigations.

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

Note 3 - Deposits and Investments

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

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

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

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

	2015	2014
Checking and Savings Accounts	$ 9,682,543	$ 5,812,147
Checking and Savings Accounts - Foundation	447,968	509,571
Money Market Accounts	1,366,670	1,362,301
Certificates of Deposit	446,105	443,997
Certificates of Deposit - Foundation	-	8,086
Beneficial Interest in Remainder Trust - Foundation - Note 4	503,419	519,868
Beneficial Interest in Community Foundation - Foundation	334,393	280,040
Interest Receivable	503	571
Total Deposits and Investments	$ 12,781,601	$ 8,936,581

Included in the Following Statements of Net Position Captions:

	2015	2014
Cash and Cash Equivalents	$ 9,453,216	$ 5,571,852
Assets Limited as to Use or Restricted	2,042,605	2,047,164
Investments Held by Foundation	1,285,780	1,317,565
	$ 12,781,601	$ 8,936,581

Interest rate risk is the exposure to fair value losses resulting from rising interest rates. The Medical Center’s primary objective is to maximize investment income yet maintain liquidity to meet current cash demands within guidelines. Furthermore, it is the policy of the Medical Center to invest idle funds in certificates of deposit, saving accounts, obligations of the United States government, its agencies and instrumentalities, or money market accounts.

The Medical Center attempts to limit its interest rate risk while investing within guidelines of its investment policy and section 12B.10 subsection 5 of the Code of Iowa.

Deposits in mutual funds were held by the Foundation.

Investment Income

Investment income, including return on assets held by the Foundation, for the years ended June 30, 2015 and 2014 is summarized as follows:

	2015	2014
Investment Income (Consists Entirely of Interest Income)	$ 11,354	$ 11,455
Foundation		
Interest and dividends	6,610	4,892
Change in unrealized gains and losses, net of investment expense	471	36,192
Foundation investment income	7,081	41,084
	$ 18,435	$ 52,539

Note 4 - Beneficial Interest in Remainder Trust

The Winneshiek Medical Foundation has been named the beneficiary of the remainder interest in an irrevocable charitable remainder unitrust which is held by another party as the trustee for management purposes. Currently, the trustee makes annual distributions of 5% of the fair value of the assets in the trust to the beneficiaries. Upon the death of the donors, the remaining assets in the trusts shall be transferred to the Foundation. The Foundation has recorded its beneficial interest in this trust fund at fair value, estimated as the net present value of the estimated future amount to be received using a discount rate based on a risk free interest rate. The change in the fair value is reported as change in value in split-interest agreement in nonoperating revenues on the statement of revenues, expenses and changes in net position. The beneficial interest is recorded at $503,000 and $520,000 at June 30, 2015 and 2014 and included in the investments held by Foundation on the statements of net position.

Note 5 - Capital Assets

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

	June 30, 2014 Balance	Additions	Deductions	Transfers	June 30, 2015 Balance
Capital Assets Not Being Depreciated:					
Land	$ 915,673	$ -	$ -	$ -	$ 915,673
Construction in progress	534,662	1,494,382	(24,755)	(742,590)	1,261,699
Total capital assets not being depreciated	1,450,335	1,494,382	(24,755)	(742,590)	2,177,372
Capital Assets Being Depreciated:					
Land improvements	433,356	-	-	15,619	448,975
Buildings and leasehold improvements	32,391,097	-	-	177,413	32,568,510
Fixed equipment	2,285,842	-	(2,967)	63,250	2,346,125
Major moveable equipment	11,929,533	-	(20,095)	486,308	12,395,746
Total capital assets being depreciated	47,039,828	-	(23,062)	742,590	47,759,356
Less Accumulated Depreciation for:					
Land improvements	393,608	13,272	-	-	406,880
Buildings and leasehold improvements	14,952,993	1,293,867	-	-	16,246,860
Fixed equipment	1,749,039	77,144	-	-	1,826,183
Major moveable equipment	8,735,145	1,181,596	(20,095)	-	9,896,646
Total accumulated depreciation	25,830,785	2,565,879	(20,095)	-	28,376,569
Total Capital Assets Being Depreciated, Net	21,209,043	(2,565,879)	(2,967)	742,590	19,382,787
Total Capital Assets, Net	$ 22,659,378	$ (1,071,497)	$ (27,722)	$ -	$ 21,560,159

Construction in progress at June 30, 2015 consists of various projects, including ongoing plant upgrades and an addition of a nurse call system. The majority of the projects are expected to be completed in fiscal year 2016 and financed through operations.

	June 30, 2013 Balance	Additions	Deductions	Transfers	June 30, 2014 Balance
Capital Assets Not Being Depreciated:					
Land	$ 915,673	$ -	$ -	$ -	$ 915,673
Construction in progress	589,637	1,823,179	-	(1,878,154)	534,662
Total capital assets not being depreciated	1,505,310	1,823,179	-	(1,878,154)	1,450,335
Capital Assets Being Depreciated:					
Land improvements	433,356	-	-	-	433,356
Buildings and leasehold improvements	32,234,710	6,338	(229,445)	379,494	32,391,097
Fixed equipment	2,129,658	-	(74,044)	230,228	2,285,842
Major moveable equipment	10,753,331	6,033	(98,263)	1,268,432	11,929,533
Total capital assets being depreciated	45,551,055	12,371	(401,752)	1,878,154	47,039,828
Less Accumulated Depreciation for:					
Land improvements	382,786	10,822	-	-	393,608
Buildings and leasehold improvements	13,901,368	1,274,282	(222,657)	-	14,952,993
Fixed equipment	1,732,243	90,840	(74,044)	-	1,749,039
Major moveable equipment	7,731,597	1,101,808	(98,260)	-	8,735,145
Total accumulated depreciation	23,747,994	2,477,752	(394,961)	-	25,830,785
Total Capital Assets Being Depreciated, Net	21,803,061	(2,465,381)	(6,791)	1,878,154	21,209,043
Total Capital Assets, Net	$ 23,308,371	$ (642,202)	$ (6,791)	$ -	$ 22,659,378

Note 6 - Winneshiek Medical Center Foundation

Winneshiek Medical Center Foundation (Foundation) was established in September 18, 1984 with the general intent to solicit and manage gifts of money and/or property primarily for the benefit of Winneshiek Medical Center. The following summarizes combing information for the Medical Center and Foundation, which has been presented as a blended component unit, as of and for the year ended June 30, 2015 and 2014.

Statement of Net Position as of June 30, 2015:

	Winneshiek Medical Center	Winneshiek Medical Center Foundation	Eliminations	Combined
Assets and Deferred Outflows of Resources				
Current Assets	$ 20,818,897	$ -	$ -	$ 20,818,897
Assets limited as to use of restricted	2,042,605	-	-	2,042,605
Capital assets, net	21,560,159	-	-	21,560,159
Other assets	-	1,285,780	-	1,285,780
Total assets	44,421,661	1,285,780	-	45,707,441
Deferred Outflows of Resources	2,584,921	-	-	2,584,921
Total assets and deferred outflows of resources	$ 47,006,582	$ 1,285,780	$ -	$ 48,292,362
Liabilities, Deferred Inflows of Resources, and Net Position				
Current Liabilities	$ 6,850,947	$ -	$ -	$ 6,850,947
Noncurrent Liabilities	14,716,315	-	-	14,716,315
Total liabilities	21,567,262	-	-	21,567,262
Deferred Inflows of Resources	4,568,195	-	-	4,568,195
Net Position				
Net investment in capital assets	16,040,238	-	-	16,040,238
Restricted	960,034	902,052	-	1,862,086
Unrestricted	3,870,853	383,728	-	4,254,581
Total net position	20,871,125	1,285,780	-	22,156,905
Total liabilities, deferred inflows of resources, and net position	$ 47,006,582	$ 1,285,780	$ -	$ 48,292,362

Statement of Revenue, Expenses, and Changes in Net Position for the year ended June 30, 2015:

	Winneshiek Medical Center	Winneshiek Medical Center Foundation	Eliminations	Combined
Operating Revenues				
Net patient service revenue	$ 52,418,984	$ -	$ -	$ 52,418,984
Other operating revenues	1,128,322	-	-	1,128,322
Total operating revenues	53,547,306	-	-	53,547,306
Operating Expenses				
Salaries, wages and employee benefits	23,445,706	-	-	23,445,706
Supplies and other	24,387,856	-	-	24,387,856
Depreciation	2,566,605	-	-	2,566,605
Total operating expenses	50,400,167	-	-	50,400,167
Operating Income	3,147,139	-	-	3,147,139
Non Operating Revenues (Expenses)				
County tax revenue	491,367	-	-	491,367
Interest expense	(141,624)	-	-	(141,624)
Investment income and change in value in split interest agreement	11,354	(9,369)	-	1,985
Contributions, net of fundraising expenses	17,825	61,902	(84,318)	(4,591)
Other	143,305	-	-	143,305
Nonoperating revenues (expenses), net	522,227	52,533	(84,318)	490,442
Revenues in Excess of (Less Than) Expenses	3,669,366	52,533	(84,318)	3,637,581
Capital Grants and Contributions (Transfers)	148,716	(84,318)	84,318	148,716
Change in Net Position	3,818,082	(31,785)	-	3,786,297
Net Position, Beginning of Year	29,343,755	1,317,565	-	30,661,320
Restatement	(12,290,712)	-	-	(12,290,712)
Net Position Beginning of Year, as Restated	17,053,043	1,317,565	-	18,370,608
Net Position End of Year	$ 20,871,125	$ 1,285,780	$ -	$ 22,156,905

Statement of Cash Flows for the year ended June 30, 2015:

	Winneshiek Medical Center	Winneshiek Medical Center Foundation	Eliminations	Combined
Net Cash from Operating Activities	$ 5,690,965	$ -	$ -	$ 5,690,965
Net Cash from Noncapital Financing Activities	509,192	-	-	509,192
Net Cash used for Capital and Related Financing Activities	(2,562,000)	61,902	-	(2,500,098)
Net cash from Investing Activities	236,608	(123,505)	-	113,103
Net Change in Cash and Cash Equivalents	3,874,765	(61,603)	-	3,813,162
Cash and Cash Equivalents at Beginning of Year	7,174,448	509,571	-	7,684,019
Cash and Cash Equivalents at End of Year	$ 11,049,213	$ 447,968	$ -	$ 11,497,181

Statement of Net Position as of June 30, 2014:

	Winneshiek Medical Center	Winneshiek Medical Center Foundation	Eliminations	Combined
Assets and Deferred Outflows of Resources				
Current Assets	$ 16,530,274	$ -	$ -	$ 16,530,274
Assets limited as to use of restricted	2,047,164	-	-	2,047,164
Capital assets, net	22,659,378	-	-	22,659,378
Other assets	-	1,317,565	-	1,317,565
Total assets and deferred outflows of resources	$ 41,236,816	$ 1,317,565	$ -	$ 42,554,381
Liabilities, deferred inflows of resources, and net position				
Current Liabilities	$ 5,821,255	$ -	$ -	$ 5,821,255
Long-Term Debt, Less Current Maturities	5,520,181	-	-	5,520,181
Total liabilities	11,341,436	-	-	11,341,436
Deferred Inflows of Resources	551,625	-	-	551,625
Net Position				
Net investment in capital assets	16,189,065	-	-	16,189,065
Restricted	966,600	911,785	-	1,878,385
Unrestricted	12,188,090	405,780	-	12,593,870
Total net position	29,343,755	1,317,565	-	30,661,320
Total liabilities, deferred inflows of resources, and net position	$ 41,236,816	$ 1,317,565	$ -	$ 42,554,381

Statement of Revenue, Expenses, and Changes in Net Position for the year ended June 30, 2014:

	Winneshiek Medical Center	Winneshiek Medical Center Foundation	Eliminations	Combined
Operating Revenues				
Net patient service revenue	$ 48,573,476	$ -	$ -	$ 48,573,476
Other operating revenues	1,560,166	-	-	1,560,166
Total operating revenues	50,133,642	-	-	50,133,642
Operating Expenses				
Salaries, wages and employee benefits	23,431,837	-	-	23,431,837
Supplies and other	23,437,392	-	-	23,437,392
Depreciation	2,477,757	-	-	2,477,757
Total operating expenses	49,346,986	-	-	49,346,986
Operating Income	786,656	-	-	786,656
Non Operating Revenues (Expenses)				
County tax revenue	454,943	-	-	454,943
Interest expense	(163,443)	-	-	(163,443)
Investment income and change in value in split interest agreement	11,455	107,952	-	119,407
Contributions, net of fundraising expenses	7,117	127,335	(62,397)	72,055
Other	127,767	-	-	127,767
Nonoperating revenues, net	437,839	235,287	(62,397)	610,729
Revenues in Excess of Expenses	1,224,495	235,287	(62,397)	1,397,385
Capital Grants and Contributions (Transfers)	110,711	(62,397)	62,397	110,711
Change in Net Position	1,335,206	172,890	-	1,508,096
Net Position Beginning of Year	28,008,549	1,144,675	-	29,153,224
Net Position End of Year	$ 29,343,755	$ 1,317,565	$ -	$ 30,661,320

Statement of Cash Flows for the year ended June 30, 2014:

	Winneshiek Medical Center	Winneshiek Medical Center Foundation	Eliminations	Combined
Net Cash from Operating Activities	$ 2,293,774	$ -	$ -	$ 2,293,774
Net Cash from Noncapital Financing Activities	462,060	-	-	462,060
Net Cash from (used for) Capital and Related Financing Activities	(3,112,933)	127,335	-	(2,985,598)
Net cash from (used for) Investing Activities	206,012	(152,852)	-	53,160
Net Change in Cash and Cash Equivalents	(151,087)	(25,517)	-	(176,604)
Cash and Cash Equivalents at Beginning of Year	7,325,535	535,088	-	7,860,623
Cash and Cash Equivalents at End of Year	$ 7,174,448	$ 509,571	$ -	$ 7,684,019

Note 7 - Pension Plan

Plan Description – Iowa Public Employees' Retirement System (IPERS) membership is mandatory for employees of the Medical Center, except for those covered by another retirement system. Employees of the Medical Center are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org. IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

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

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

Protection occupation members may retire at normal retirement age which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 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.

In fiscal year 2015, 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. Protection occupation members contributed 6.76 percent of pay and the Medical Center contributed 10.14 percent for a total rate of 16.90 percent.

The Medical Center's contributions to IPERS for the year ended June 30, 2015 were $1,612,499.

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 $10,089,581 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 collective proportion was 0.254408 percent, which was an increase of 0.013126 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Medical Center recognized pension expense of $871,800. 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	$ 111,128	$ 12,214
Changes in Assumptions	451,247	292
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	4,032,859
Changes in Proportion and Differences between Medical Center's Contributions and Proportionate Share of Contributions	410,047	-
Medical Center's Contributions Subsequent to the Measurement Date	1,612,499	-
Total	$ 2,584,921	$ 4,045,365

The $1,612,499 reported as deferred outflows of resources relates to the Medical Center's contributions subsequent to the measurement date and 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 will be recognized in pension expense as follows:

Year Ended June 30,	
2016	$ (783,933)
2017	(783,933)
2018	(783,933)
2019	(783,933)
2020	62,789
	$ (3,072,943)

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 per annum
Rates of Salary Increase (Effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-Term Investment Rate of Return (Effective June 30, 1996)	7.50 percent per annum, compounded annually, net of investment expense, including inflation

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

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

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
Core-Plus Fixed Income	28%	2.06%
Domestic Equity	23%	6.31%
International Equity	15%	6.76%
Private Equity/Debt	13%	11.34%
Real Estate	8%	3.52%
Credit Opportunities	5%	3.67%
U.S. TIPS	5%	1.92%
Other Real Assets	2%	6.27%
Cash	1%	(0.69%)
	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 (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Medical Center's Proportionate Share of the Net Pension Liability	$ 19,463,126	$ 10,089,581	$ 2,177,747

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 $243,507 for legally required employer contributions and $162,247 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8 - Leases

The Medical Center leases certain equipment and building space under noncancelable long-term lease agreements. Total lease expense for the years ended June 30, 2015 and 2014 for all operating leases was $527,238 and $352,823.

Minimum future lease payments for the noncancelable operating leases are as follows:

Years Ending June 30,	Operating Leases
2016	$ 404,520
2017	273,782
2018	35,288
2019	5,333
Total minimum lease payments	$ 718,923

Note 9 - Long-Term Debt

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

	June 30, 2014 Balance	Additions	Deductions	June 30, 2015 Balance	Amounts Due Within One Year
Revenue Note, Series 2005	$ 4,267,238	$ -	$ (710,486)	$ 3,556,752	$ 720,567
Revenue Note, Series 2008	1,945,416	-	(96,636)	1,848,780	101,076
Rural Economic Development Loan	127,500	-	(45,000)	82,500	45,000
Equipment Loan	96,445	-	(64,556)	31,889	26,544
Capital Lease Obligation	33,714	-	(33,714)	-	-
Total Long-Term Debt	$ 6,470,313	$ -	$ (950,392)	5,519,921	$ 893,187
Less Current Maturities				(893,187)	
Long-Term Debt, Less Current Maturities				$ 4,626,734	

	June 30, 2013 Balance	Additions	Deductions	June 30, 2014 Balance	Amounts Due Within One Year
Revenue Note, Series 2005	$ 4,967,808	$ -	$ (700,570)	$ 4,267,238	$ 710,486
Revenue Note, Series 2008	2,037,808	-	(92,392)	1,945,416	96,636
Rural Economic Development Loan	172,500	-	(45,000)	127,500	45,000
Equipment Loan	160,741	-	(64,296)	96,445	64,296
Capital Lease Obligation	253,707	-	(219,993)	33,714	33,714
Total Long-Term Debt	$ 7,592,564	$ -	$ (1,122,251)	6,470,313	$ 950,132
Less Current Maturities				(950,132)	
Long-Term Debt, Less Current Maturities				$ 5,520,181	

Aggregate future payments of principal and interest on the long-term debt obligations are as follows:

	Long-Term Debt		
Years Ending June 30,	Principal	Interest	Total
2016	$ 893,187	$ 127,363	$ 1,020,550
2017	874,254	112,252	986,506
2018	852,107	96,898	949,005
2019	867,835	81,171	949,006
2020	737,150	65,184	802,334
2021-2025	693,490	217,526	911,016
2026-2030	601,898	50,848	652,746
	$ 5,519,921	$ 751,242	$ 6,271,163

Hospital Revenue Note, Series 2005:

The Board of Trustees of Winneshiek Medical Center authorized the issuance of a $10,000,000 Hospital Revenue Note, Series 2005. The note is payable solely from future revenues of the Medical Center. The purpose of the note was to finance the renovation, equipping and furnishing of existing facilities, the construction of a one-story addition, and the acquisition and construction of improvements and equipment that was completed during the fiscal year ending June 30, 2007.

The Medical Center is currently paying monthly installments of principal and interest totaling $63,900. The current interest rate is 1.43% which is 40 basis points above the annualized interest rate on five year United States Treasury Notes. The note matures August 1, 2020.

Hospital Revenue Note, Series 2008:

In April, 2008, the Board of Trustees of Winneshiek Medical Center authorized the issuance of a $2,400,000 Hospital Revenue Note, Series 2008. The note is payable solely from future revenues of the Medical Center. The purpose of the note was to finance the cost of improvements to the Medical Center, including the building of a new Dialysis Center and additional Clinic space, and the acquisition and construction of improvements and equipment that was completed during the fiscal year ending June 30, 2009.

Beginning on January 1, 2009, the Medical Center began paying monthly installments of principal and interest totaling $15,184. Interest is payable at 4.50% until January 2016, when it will be adjusted to 40 basis points above the annualized interest rate on five year United States Treasury Notes. The note will further be adjusted in 2021 and 2026 in a similar manner. The note matures January 2029.

Under the terms of the above mentioned Revenue Notes, the Medical Center is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use on the statement of net position. The Revenue Notes also place limits on the incurrence of additional borrowings and requires that the Medical Center satisfy certain measures of financial performance.

Rural Economic Development Loan:

The Medical Center entered into a loan agreement with Hawkeye Tri-County Electric Cooperative. The proceeds of the loan were used for the expansion and refurbishment of the Medical Center's facility. The loan in the original amount of $360,000 is noninterest bearing and is payable in monthly installments of $3,750 beginning May 2009 through April 2017. The agreement is secured by the net revenues of the Medical Center.

Equipment Loan:

The Medical Center entered into a loan agreement with Mayo Clinic Health System Franciscan Healthcare. The proceeds of the loan were used for the purchase of a Picture Archiving Communication System (PACS). This system allowed the Medical Center to transition from a film-based radiology department to a digital environment. The loan in the original amount of $321,481 is noninterest bearing and is payable in monthly installments beginning January 1, 2011 of $5,358 through January 1, 2016.

Note 10 - Deferred Revenue – Contribution

In April 2005, the Medical Center purchased the clinic building from Mayo Clinic Health System Decorah (Clinic). Deferred revenue – contribution represents an "option credit" that was recorded as part of the purchase agreement. This "option credit" may be used by the Clinic in the event that the professional services agreement between the two entities is terminated. If the Clinic would decide to either lease the building or purchase the related fixed assets, any remaining unrecognized balance of the "option credit" could be applied either towards the lease payments or the purchase price. The "option credit" of $250,000 is being amortized as contribution revenue beginning in April 2010 through March 2016. The remaining unamortized "option credit" as of June 30, 2015 and 2014 is $29,996 and $69,996.

Note 11 - Related Party Transactions

Management Service Agreement

Winneshiek Medical Center has a contractual arrangement with Mayo Foundation for Medical Education and Research (MFMER) under which MFMER provides administrative staff, management consultation, and other services to the Medical Center. The arrangement does not alter the authority or responsibility of the Board of Trustees of Winneshiek Medical Center. Expenses for the administrative and management services received for the years ended June 30, 2015 and 2014 were $1,539,608 and $1,438,181. As of June 30, 2015 and 2014 the Medical Center's records reflect an amount due to MFMER of $75,000 and $198,495 respectively, for the various services related to these agreements. These amounts are reported within related party payables.

Professional Services Agreement

Winneshiek Medical Center has a contractual agreement with Mayo Clinic Health System Decorah (Clinic) under which the Clinic provides professional medical services to patients of the Medical Center. Expenses recorded for the provision of these services amounted to $9,709,235 and $9,929,770 for the years ended June 30, 2015 and 2014. As of June 30, 2015 and 2014, Winneshiek Medical Center's records reflect an amount due from the Clinic of $65,765 and $25,230, for settlement related to the various services under this agreement. These amounts are netted with related party payables.

Note 12 - Contingencies

Risk Management

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

Malpractice Insurance

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

Excess Liability Umbrella Insurance

The Medical Center also has excess liability umbrella coverage on a claims-made basis subject to a limit of $5 million per occurrence and an annual aggregate limit of $5 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

Self-Funded Health and Dental Plan

The Medical Center has a self-funded health and dental plan covering substantially all eligible employees and dependents. The Medical Center, in connection with this plan, recognizes health benefit expense on an accrual basis. An accrued liability is recorded at year-end which estimates the incurred but not reported claims that will be paid by the Medical Center. The Medical Center has stop loss insurance to cover catastrophic claims in excess of $90,000 and $75,000 per participant and an annual aggregate loss limit of approximately $3,362,000 and $2,828,000 for the plan years ended June 30, 2015 and 2014. A liability of $350,000 has been recorded to recognize the estimated incurred but not reported claims outstanding at June 30, 2015 and 2014. The amounts have been estimated based on the amounts necessary to pay current year claims and historical trends. Changes in the amounts necessary to pay current year claims and balance of claims liabilities during the past two years are as follows:

Year	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2015	$ 350,000	$ 2,499,462	$ (2,499,462)	$ 350,000
2014	410,000	2,573,116	(2,633,116)	350,000

Litigations, Claims, and Other Disputes

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

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

Note 13 - Concentration of Credit Risk

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

	2015	2014
Medicare	31%	28%
Medicaid	6%	7%
Blue Cross	17%	18%
Commercial Insurance	16%	17%
Self Pay	30%	30%
	100%	100%

Note 14 - Electronic Health Record Incentive Payments

The Medical Center attested as a meaningful user of Electronic Health Records (EHR) during the year ended June 30, 2014. Accordingly, the Medical Center received $601,090 as lump sum incentive payments related to Medicare EHR. The Medical Center also recognized $160,793 during the year ended June 30, 2015 for physician related Medicare incentives.

The Medical Center recognized revenue of $0 and $145,600 for the years ended June 30, 2015 and 2014 related to Medicaid EHR incentive payments received. The Medical Center has received a total of $291,200 of Medicaid EHR incentive to date. This represents 80% of the potential benefit to be received from the State of Iowa Medicaid program.

The above incentive payments are included in other operating revenue in the accompanying financial statements.

Note 15 - Adoption of Accounting Standards

As of July 1, 2014, the Medical Center adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. During the transition year, as permitted, beginning balances for deferred outflows and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by GASB Statement No. 71. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

	Net Position
Net Position June 30, 2014, as Previously Reported	$ 30,661,320
Net Pension Liability at June 30, 2014	(13,853,615)
Deferred Outflows of Resources Related to Contributions Made After June 30, 2013 Measurement Date	1,562,903
Net Position July 1, 2014, as Restated	$ 18,370,608

Required Supplementary Information
June 30, 2015 and 2014

Winneshiek
MEDICAL CENTER

Winneshiek Medical Center

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

	Medical Center Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Medical Center Adopted Budget	Variance Favorable (Unfavorable)
Estimated Amount to be Raised by Taxation	$ 491,367	$ -	$ 491,367	$ 487,578	$ 3,789
Estimated Other Revenues/ Receipts	53,868,506	(1,831)	53,866,675	53,393,641	473,034
	54,359,873	(1,831)	54,358,042	53,881,219	476,823
Expenses/Disbursements	50,541,791	(60,554)	50,481,237	53,664,759	3,183,522
Net	3,818,082	58,723	3,876,805	216,460	$ 3,660,345
Balance Beginning of Year	29,343,755	(21,724,739)	7,619,016	7,257,935	
Restatement	(12,290,712)	-	-	-	
Net Position Beginning of Year, as Restated	17,053,043	(21,724,739)	7,619,016	7,257,935	
Balance End of Year	$ 20,871,125	$ (21,666,016)	$ 11,495,821	$ 7,474,395	

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

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

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

	2015
Medical Center's Proportion of the Net Pension Liability	0.254408%
Medical Center's Proportionate Share of the Net Pension Liability	$ 10,089,581
Medical Center's Covered-Employee Payroll	$ 17,980,109
Medical Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	56.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%

The amounts presented were determined as of June 30, 2014 (measurement date).

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

	2015	2014	2013	2012
Statutorily Required Contribution	$ 1,612,499	$ 1,563,497	$ 1,420,620	$ 1,229,627
Contributions in Relation to the Statutorily Required Contribution	(1,612,499)	(1,563,497)	(1,420,620)	(1,229,627)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Hospital's Covered-Employee Payroll	$ 17,980,109	$ 17,433,113	$ 16,289,280	$ 15,123,091
Contributions as a Percentage of Covered-Employee Payroll	8.97%	8.97%	8.72%	8.13%

See accompanying independent auditors report

2011	2010	2009	2008	2007	2006
$ 1,067,875	$ 947,772	$ 920,446	$ 897,787	$ 740,609	$ 652,806
(1,067,875)	(947,772)	(920,446)	(897,787)	(740,609)	(652,806)
$ -	$ -	$ -	$ -	$ -	$ -
$ 15,155,790	$ 14,079,469	$ 14,343,441	$ 14,839,455	$ 12,880,157	$ 11,353,148
7.05%	6.73%	6.42%	6.05%	5.75%	5.75%

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

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

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

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the Unfunded Actuarial Liability (UAL) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

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

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

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

Other Supplementary Information
June 30, 2015 and 2014

Winneshiek
MEDICAL CENTER

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Independent Auditor's Report on Supplementary Information

The Board of Trustees
Winneshiek Medical Center
Decorah, Iowa

We have audited the financial statements of Winneshiek Medical Center (Medical Center), as of and for the years ended June 30, 2015 and 2014, and our report thereon dated September 29, 2015, which expressed an unmodified opinion on those financial statements, appears on pages 2 and 3. Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of net patient service revenue, other operating revenues, operating expenses, and supplies are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of net patient service revenue, other operating revenues, operating expenses, and supplies are fairly stated in all material respects in relation to the financial statements as a whole. The schedules of patient receivables, insurance coverage, and statistical information, which are the responsibility of management, have 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 them.

Eide Bailly LLP

Dubuque, Iowa
September 29, 2015

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	Total 2015	Total 2014
Patient Care Services		
Adults and pediatrics	$ 2,911,453	$ 2,527,030
Swing bed	718,119	745,875
Nursery	457,327	366,697
Subtotal	4,086,899	3,639,602
Other Professional Services		
Operating room	9,828,104	8,856,144
Labor and delivery room	550,640	455,756
Anesthesiology	1,809,857	1,743,567
Radiology	12,860,360	11,076,671
Laboratory	11,229,312	10,037,704
Respiratory therapy	1,371,540	1,300,711
Physical therapy	3,053,988	2,603,917
Occupational therapy	1,156,841	1,127,196
Occupational health	483,247	226,125
Speech therapy	159,263	139,869
Electrocardiology	1,238,404	1,112,997
Central supply	4,216,283	3,859,610
Implantable supplies	1,332,529	1,128,934
Pharmacy	12,568,151	11,441,170
Outpatient clinic	19,971,854	18,202,416
Emergency room	3,355,171	3,170,560
Observation room	436,855	454,430
Ambulance	1,377,211	1,374,548
Home health	576,452	638,965
Durable medical equipment	632,857	551,900
Emergency room physician fees	2,213,220	1,841,330
Hospice	898,333	817,717
Diabetic education	52,109	59,636
Subtotal	91,372,581	82,221,873
Total	95,459,480	85,861,475
Charity care	(263,729)	(200,651)
Total Patient Service Revenue	95,195,751	85,660,824
Contractual Adjustments	(40,802,284)	(35,106,004)
Net Patient Service Revenue	54,393,467	50,554,820
Provision for Bad Debts	(1,974,483)	(1,981,344)
Net Patient Service Revenue (Net of Provision for Bad Debts)	$ 52,418,984	$ 48,573,476

Inpatient		Outpatient	
2015	2014	2015	2014
$ 2,860,577	$ 2,484,066	$ 50,876	$ 42,964
718,119	745,875	-	-
446,347	357,721	10,980	8,976
4,025,043	3,587,662	61,856	51,940
933,572	959,927	8,894,532	7,896,217
510,718	436,337	39,922	19,419
323,794	341,694	1,486,063	1,401,873
1,117,573	794,196	11,742,787	10,282,475
1,551,907	1,113,589	9,677,405	8,924,115
802,452	774,931	569,088	525,780
568,154	553,929	2,485,834	2,049,988
399,872	303,630	756,969	823,566
-	-	483,247	226,125
41,790	35,592	117,473	104,277
274,421	183,519	963,983	929,478
866,443	833,143	3,349,840	3,026,467
574,634	537,410	757,895	591,524
4,900,966	4,683,084	7,667,185	6,758,086
-	-	19,971,854	18,202,416
329,300	90,856	3,025,871	3,079,704
-	-	436,855	454,430
262,286	69,655	1,114,925	1,304,893
-	-	576,452	638,965
-	-	632,857	551,900
197,031	46,363	2,016,189	1,794,967
730,220	756,097	168,113	61,620
-	-	52,109	59,636
14,385,133	12,513,952	76,987,448	69,707,921
$ 18,410,176	$ 16,101,614	$ 77,049,304	$ 69,759,861

	2015	2014
Other Operating Revenues		
Contract fees and services		
Physical therapy	$ 267,677	$ 231,650
Occupational therapy	212,077	99,411
Podiatry	92,000	104,000
Dietary	35,016	14,482
Speech therapy	16,644	8,356
OB/GYN	16,150	5,100
Electronic Health Record incentive payments	160,793	746,690
Employee meals	110,186	104,775
Meals on Wheels and guest meals	28,209	28,049
Wellness services	-	21,605
Medical records transcripts	2,694	4,213
Vending services	509	531
Other	204,400	191,304
Total Other Operating Revenues	$ 1,146,355	$ 1,560,166

	2015	2014
Nursing Administration		
Salaries and wages	$ 97,012	$ 95,603
Supplies and other expenses	231,528	177,660
	328,540	273,263
Adults and Pediatrics		
Salaries and wages	1,885,275	1,895,135
Supplies and other expenses	342,307	363,409
	2,227,582	2,258,544
Nursery		
Salaries and wages	121,894	110,804
Supplies and other expenses	13,314	17,611
	135,208	128,415
Operating Room		
Salaries and wages	1,203,142	1,169,960
Supplies and other expenses	624,050	571,412
	1,827,192	1,741,372
Labor and Delivery Room		
Salaries and wages	80,542	68,851
Supplies and other expenses	5,763	5,994
	86,305	74,845
Anesthesiology		
Salaries and wages	899,893	885,704
Supplies and other expenses	94,190	107,895
	994,083	993,599
Radiology		
Salaries and wages	757,171	748,762
Supplies and other expenses	1,967,056	1,794,745
	2,724,227	2,543,507
Laboratory		
Salaries and wages	784,878	753,185
Supplies and other expenses	1,451,302	1,501,119
	2,236,180	2,254,304
Respiratory Therapy		
Salaries and wages	168,717	170,827
Supplies and other expenses	139,270	134,193
	307,987	305,020
Physical Therapy		
Salaries and wages	1,251,209	1,143,298
Supplies and other expenses	186,942	149,629
	1,438,151	1,292,927

	2015	2014
Occupational Therapy		
Salaries and wages	$ 555,605	$ 536,857
Supplies and other expenses	29,917	33,168
	585,522	570,025
Speech Therapy		
Salaries and wages	96,643	89,635
Supplies and other expenses	10,778	12,697
	107,421	102,332
Comprehensive Outpatient Rehab Facility		
Salaries and wages	20,108	14,811
Supplies and other expenses	18,692	18,456
	38,800	33,267
Electrocardiology		
Salaries and wages	62,180	61,676
Supplies and other expenses	167,550	137,155
	229,730	198,831
Central Supply		
Salaries and wages	40,941	46,570
Supplies and other expenses	639,976	626,646
	680,917	673,216
Implantable Supplies		
Supplies and other expenses	588,250	575,541
Pharmacy		
Salaries and wages	381,086	347,027
Supplies and other expenses	2,501,294	2,249,513
	2,882,380	2,596,540
Clinic		
Salaries and wages	2,181,278	2,148,339
Supplies and other expenses	8,721,432	8,370,609
	10,902,710	10,518,948
Mabel Clinic		
Salaries and wages	217,730	206,929
Supplies and other expenses	49,961	38,226
	267,691	245,155
Ossian Clinic		
Salaries and wages	178,147	65,924
Supplies and other expenses	53,664	67,442
	231,811	133,366

	2015	2014
Materials Management		
Salaries and wages	$ 108,188	$ 108,791
Supplies and other expenses	14,834	5,931
	123,022	114,722
Emergency Room		
Salaries and wages	1,003,751	1,137,720
Supplies and other expenses	1,961,464	2,083,689
	2,965,215	3,221,409
Ambulance		
Salaries and wages	405,211	411,285
Supplies and other expenses	71,063	74,842
	476,274	486,127
Home Health		
Salaries and wages	328,804	294,341
Supplies and other expenses	117,559	72,772
	446,363	367,113
Durable Medical Equipment		
Salaries and wages	71,888	62,072
Supplies and other expenses	146,442	146,918
	218,330	208,990
Hospice		
Salaries and wages	219,500	205,892
Supplies and other expenses	90,100	67,603
	309,600	273,495
Occupational Health		
Salaries and wages	216,496	207,193
Supplies and other expenses	41,973	39,169
	258,469	246,362
Diabetic Education		
Salaries and wages	80,495	77,257
Supplies and other expenses	4,498	5,889
	84,993	83,146
Medical Records		
Salaries and wages	969,999	935,569
Supplies and other expenses	262,251	281,830
	1,232,250	1,217,399
Dietary		
Salaries and wages	440,834	444,455
Supplies and other expenses	12,706	6,806
	453,540	451,261

	2015	2014
Operation of Plant		
Salaries and wages	$ 339,979	$ 337,361
Supplies and other expenses	651,835	701,510
	991,814	1,038,871
Foundation		
Salaries and wages	14,523	20,053
Community Relations		
Salaries and wages	142,717	133,719
Supplies and other expenses	48,540	36,116
	191,257	169,835
Housekeeping		
Salaries and wages	438,559	458,858
Supplies and other expenses	89,865	93,920
	528,424	552,778
Laundry and Linen		
Salaries and wages	21,479	20,293
Supplies and other expenses	102,493	103,876
	123,972	124,169
Administrative, Financial and General Services		
Salaries and wages	2,696,512	2,482,225
Supplies and other expenses	2,955,966	2,778,890
	5,652,478	5,261,115
Unassigned Expenses		
Depreciation	2,566,605	2,477,757
Employee benefits	4,942,351	5,519,367
	7,508,956	7,997,124
Total Operating Expenses	$ 50,400,167	$ 49,346,986

Analysis of Aging

	2015		2014	
Days Since Discharge	Amount	Percent to Total	Amount	Percent to Total
30 Days or Less	$ 7,984,141	51.02%	$ 7,049,168	48.54%
31 to 60 Days	2,041,959	13.05%	2,064,609	14.22%
61 to 90 Days	1,174,236	7.50%	876,104	6.03%
91 Days and Over	4,449,122	28.43%	4,531,209	31.21%
	15,649,458	100.00%	14,521,090	100.00%
Less: Allowance for Doubtful Accounts	1,979,458		1,789,029	
Allowance for Contractual Adjustments	4,692,983		4,130,660	
	$ 8,977,017		$ 8,601,401	
Net Patient Service Revenue Per Calendar Day	$ 143,614		$ 133,078	
Days of Net Patient Service Revenue in Net Accounts Receivable at Year End	63		65	

	2015	2014
Supplies		
Surgery	$ 537,295	$ 528,543
Pharmacy	468,162	494,342
Central supply	71,343	69,697
Dietary	11,792	12,325
Total Supplies	$ 1,088,592	$ 1,104,907

Insurer	Coverage Type	Effective Dates	Coverage Amount
United Heartland	Worker's compensation	April 2015 to April 2016	$500,000/$500,000/ $500,000
PIC of Wisconsin	Commercial general liability	April 2015 to April 2016	$1,000,000
	Umbrella excess liability		$5,000,000
	Medical professional liability - each health care incident		$1,000,000
	Medical professional liability - total facility annual aggregate		$3,000,000
Travelers	Blanket limit of insurance	April 2015 to April 2016	$67,647,916
	Business income and expense coverage		$38,833,564
	Crime coverage		$2,500,000
	Auto liability		$1,000,000
The Hartford	Accidental death and dismemberment	March 2014 to March 2017	$50,000
Cincinnati Insurance Company	Directors and officers liability	Nov 2013 to Nov 2016	$3,000,000
	Employee dishonesty	Sept 2013 to Sept 2016	$100,000
Chubb	Cyber Liability	Sept 2014 to Sept 2015	$1,000,000

	2015	2014
Patient Days		
Acute	2,507	2,486
Swing-bed	1,387	1,533
Newborn	516	447
Totals	4,410	4,466
Discharges		
Acute	917	900
Swing-bed	150	151
Totals	1,067	1,051
Average Length of Stay, Acute	2.73	2.76
Beds	25	25
Occupancy Percentage		
Acute, based on 25 beds	27.5%	27.2%
Swing-bed, based on 25 beds	15.2%	16.8%
Outpatient Visits	67,285	62,874
Clinic Visits	46,353	44,671

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

The Board of Trustees
Winneshiek Medical Center
Decorah, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Winneshiek Medical Center (Medical Center) as of and for the year ended June 30, 2015 and its component unit, Winneshiek Medical Center Foundation, and the related notes to the financial statements and have issued our report thereon dated September 29, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Medical Center's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies (2015-A and 2015-B).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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 and are reported in Part II of the accompanying Schedule of Findings and Responses. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Medical Center's Responses to Findings

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

Purpose of this Report

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

Eide Bailly LLP

Dubuque, Iowa
September 29, 2015

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

2015-A Segregation of Duties

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

Condition: Certain employees perform duties that are incompatible.

Cause: The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure optimal internal control. This is not an unusual condition in organizations of your size.

Effect: The lack of segregation of duties increases the risk of fraud related to misappropriation of assets, financial statement misstatement, or both. Limited segregation of duties could result in misstatements that may not be prevented or detected on a timely basis in the normal course of operations.

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

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

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

Part I: Findings Related to the Financial Statements: (continued)

2015-B Preparation of Financial Statements

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

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

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

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

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

Response – This finding and recommendation is not a result of any change in the Medical Center’s procedures, rather it is due to an auditing standard implemented by the American Institute of Certified Public Accountants. Management feels that committing the resources necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Part II: Other Findings Related to Required Statutory Reporting:

2015-IA-A **Certified Budget:** Disbursements during the year ended June 30, 2015 did not exceed the amount budgeted.

2015-IA-B **Questionable Expenditures:** We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

2015-IA-C **Travel Expense:** No expenditures of Winneshiek Medical Center funds for travel expenses of spouses of Winneshiek Medical Center officials and/or employees were noted.

2015-IA-D **Business Transactions:** Business transactions between the Medical Center and Medical Center officials and employees are detailed as follows:

Business Connection	Transaction Description	Amount
Spouse of Employee is Owner of Business	Office equipment	$ 64,391
Spouse of Employee is Owner of Business	Vehicle purchase	$ 6,251
Parent of Employee is Owner of Business	Ambulance repair	$ 4,835
Spouse of Employee is Owner of Business	Supplies	$ 1,205
Parent of Employee is Owner of Business	Supplies	$ 356
Employee is Owner of Business	Meeting venue	$ 300

2015-IA-E **Board Minutes:** No transactions were found that we believe should have been approved in the Board minutes but were not.

2015-IA-F **Deposits and Investments:** No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Medical Center's investment policy were noted.

2015-IA-G **Publication of Bills Allowed and Salaries:** The Medical Center is organized under Chapter 347A and is not required to follow this section of the Iowa Code.

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Debt Agreement Covenants

The Board of Trustees
Winneshiek Medical Center
Decorah, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Winneshiek Medical Center (Medical Center) as of and for the year ended June 30, 2015 and its component unit, Winneshiek Medical Center Foundation, and the related notes to the financial statements and have issued our report thereon dated September 29, 2015.

In connection with our audit, nothing came to our attention that caused us to believe that Winneshiek Medical Center failed to comply with any of the terms, covenants, provisions, or conditions of Section Fifteen "Patient Rates and Charges" and Section Seventeen "Covenants Regarding the Operation of the Hospital," inclusive, of the Indentures dated March 1, 2005 and April 1, 2008, with Decorah Bank & Trust Company, Decorah, Iowa, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Medical Center's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Indentures, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Board of Trustees, management of Winneshiek Medical Center, and the Decorah Bank & Trust, Decorah, Iowa, and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Dubuque, Iowa
September 29, 2015