

**Floyd Valley Hospital  
and Floyd Valley Hospital Foundation  
Le Mars, Iowa**

**FINANCIAL REPORT**

**June 30, 2015**

## CONTENTS

	<u>Page</u>
<b>OFFICIALS</b>	3
<b>INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS</b>	4-5
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	6-11
<b>FINANCIAL STATEMENTS</b>	
Statements of net position	12-13
Statements of revenues, expenses, and changes in net position	14
Statements of cash flows	15-16
Statements of financial position	17
Statements of activities	18-19
Statements of cash flows	20
Notes to financial statements	21-40
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	41
Budgetary comparison schedule	42
Schedule of funding progress for the retiree health plan	43
Schedule of the Hospital's proportionate share of the net pension liability	44
Schedule of Hospital pension contributions	45-46
Notes to required supplementary information – pension liability	47
<b>INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION</b>	48
<b>SUPPLEMENTARY INFORMATION</b>	
Age analysis of patient receivables	49
Analysis of allowance for uncollectible accounts	49
Inventories	50
Insurance coverage	51
Patient service revenue	52-53
Provision for contractual and other adjustments	54
Other revenue	54
Nursing service expenses	55
Other professional service expenses	56-57
General service expenses	58
Fiscal and administrative service and unassigned expenses	59
Comparative statistics	60
Schedule of expenditures of federal awards	61
<b>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</b>	62-63
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133</b>	64-65
<b>SCHEDULE OF FINDINGS</b>	66-67

Floyd Valley Hospital  
OFFICIALS  
June 30, 2015

**Board of Trustees**

Craig Bauerly, Chairman  
William Young, Vice Chairman  
Ralph Klemme, Treasurer  
Larry Petersen, Secretary  
Bill Rosacker

**Expiration of term**

December, 2017  
December, 2017  
December, 2015  
December, 2015  
December, 2015

**Administrator**

Michael T. Donlin, FACHE

**Director of Financial Services**

Daryl J. Friedenbach



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Floyd Valley Hospital  
LeMars, Iowa

We have audited the accompanying financial statements of Floyd Valley Hospital, a component unit of the City of LeMars, Iowa, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents. We have also audited the accompanying financial statements of Floyd Valley Hospital Foundation, a component unit of Floyd Valley Hospital, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Emphasis of Matter**

As discussed in Note 25 to the financial statements, the Hospital adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

### **Opinion**

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

### **Other Matter**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, the schedule of funding progress for the retiree health plan, the schedule of the Hospital's proportionate share of the net pension liability and the schedule of Hospital pension contributions on pages 6-11, 42-47, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2015, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
October 12, 2015

## **Floyd Valley Hospital Management's Discussion and Analysis**

As management of Floyd Valley Hospital, we offer readers of the Hospital's financial statements this narrative overview and analysis of the Hospital's financial performance during the fiscal years ended June 30, 2015, 2014 and 2013. Please read it in conjunction with the Hospital's financial statements, which follow this section.

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

This annual report includes management's discussion and analysis report, the independent auditors report and the basic financial statements of the Hospital. The financial statements also include notes that explain in more detail some of the information in the financial statements.

### **Required Financial Statements:**

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

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

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

### **Financial Highlights:**

- Total assets increased by \$9.0 million from FY 2014 to \$43.5 million, primarily related to increase in cash and capital assets.
- The Hospital continued a significant hospital building addition and remodeling project during FY 2015 including a 46,000 square foot addition that will house a new physician clinic, business office as well as new surgical suites.
- The capital building project is being financed through a USDA direct loan which secured construction financing. The USDA direct loan commitment is for \$15.75 million. The Hospital also committed to additional long term debt through a regional lender to finance the project. This loan commitment includes a 20-year amortization in the amount of \$5.25 million.
- The Hospital Foundation continues to collect on pledges from a capital campaign of community donations to assist in the costs of the capital building project in the amount of \$2.6 million. As of fiscal year ending the Foundation has net pledges outstanding of \$808,281. Utilizing these pledges, the Hospital was able to obtain a loan commitment from a local lender to be repaid from the capital campaign pledges. This line of credit currently provides up to \$2.7 million of financing towards the project.

- Total net capital assets increased by \$4.2 million from FY 2014 primarily related to the building construction project underway.
- Net position decreased by \$5.6 million from FY 2014, mostly related to the impact of implementing the Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. This required reporting change significantly decreased net position by \$8.6 million.
- FY 2015 net patient service revenue increased by \$1.7 million, primarily due to increase demand for outpatient services.
- FY 2015 expenses increased by \$120 thousand related to increased staffing and benefits costs, as well as operating costs associated with computer systems.
- Total margin for FY 2015 was 8.6%, compared to 4.8% for FY 2014 and 1.1% for FY 2013.

### Financial Analysis of the Hospital:

The statement of net position and the statement of revenues, expenses, and changes in net position report the net position of the Hospital and the changes in it. The Hospital's net position – the difference between assets and liabilities – are a way to measure financial health or financial position. Over time, sustained increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation should also be considered.

### Net Position:

A summary of the Hospital's statements of net position at June 30, 2015, 2014, and 2013 are presented in Table 1 below:

**Table 1**  
**Condensed Statements of Net Position**  
**(in thousands)**

	June 30, 2015	June 30, 2014	June 30, 2013
Current and other assets	\$23,662	\$18,816	\$16,904
Capital assets	<u>\$19,843</u>	<u>\$15,691</u>	<u>\$11,547</u>
Total Assets	\$43,505	\$34,507	\$28,451
Long term debt outstanding	\$18,242	\$ 7,020	\$ 3,773
Other liabilities	<u>\$ 9,376</u>	<u>\$ 5,999</u>	<u>\$ 4,813</u>
Total Liabilities	\$27,618	\$13,019	\$ 8,586
Invested in Capital Assets	\$ 8,397	\$ 8,671	\$ 7,774
Restricted	\$ 91	\$ 100	\$ 975
Unrestricted	<u>\$ 7,399</u>	<u>\$12,717</u>	<u>\$11,116</u>
Total Net Position	\$15,887	\$21,488	\$19,865

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 \$8,573,993 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 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.

## Revenues, Expenses, and Changes in Net Position:

The following table presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2015, 2014 and 2013.

**Table 2**  
**Condensed Statements of Revenue, Expenses, and Changes in Net Position**  
**(In Thousands)**

	<b>2015</b>	<b>2014</b> (Not restated)	<b>2013</b> (Not restated)
Total Revenue	\$35,219	\$34,001	\$33,257
Expenses	\$33,400	\$33,280	\$33,020
Operating Income	\$ 1,819	\$ 721	\$ 237
Non-Operating Gains (Losses)	\$ 12	\$ (91)	\$ 53
Excess of Revenues over expenses before contributions	\$ 1,831	\$ 630	\$ 290
Contributions	\$ 1,142	\$ 993	\$ 71
Changes in Net position	\$ 2,973	\$ 1,623	\$ 361
Total Net position, Beginning	\$12,914	\$19,865	\$19,504
Total Net position, Ending	\$15,887	\$21,488	\$19,865

## Operating and Financial Performance:

The following summarizes the Hospital's statements of revenue, expenses, and changes in net position between June 30, 2015, 2014 and 2013.

**Volume:** Inpatient discharges for fiscal year 2015 were 3% greater than in 2014. Outpatient utilization was 1% greater than the prior fiscal year within the Hospital. Skilled care discharges were 28% less than the prior year, while Home Health visits were unchanged. The number of clinic visits at the Family Medical Clinic was slightly lower from the prior fiscal year.

**Net Patient Service Revenue:** Due to rate increases, and the changes in services described above, net patient revenues increased by \$1.7 million or 5% in comparison to fiscal year 2014.

**Payor Mix:** The payor mix of the patients served has an impact on the net revenues of the Hospital because of different contractual payment rates for various payor types. Generally as a Critical Access Hospital the reimbursement is made based on the cost of providing the services. Other commercial payor's rates are determined by contracts based on fee schedules or percentage of charges billed.

The following table presents the relative percentages of gross charges billed for patient services by payor for the years ended June 30, 2015, 2014 and 2013.

**Table 3**  
**Payor Mix by Percentage**

	<b>Year Ended June 30</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Medicare	41.6%	41.7%	41.1%
Wellmark Blue Cross	31.9%	30.9%	29.6%
Commercial	15.3%	17.3%	19.3%
Medicaid	9.4%	7.8%	7.7%
All others	1.8%	2.3%	2.3%

**Other Revenue:** Floyd Valley Hospital receives various revenues from non-patient related services, the largest of which is the revenues associated with the assisted living facility - Park Place Estates. Revenues associated with the assisted living facility were 5% less than a year ago due to lower occupancy rates. The current fiscal year was the third year of receiving federal reimbursement related to the installation of Electronic Medical Records computer system. Floyd Valley Hospital received \$194,962 of Meaningful Use revenues related to these certified EMR systems, down \$136,890 from the prior year.

**Expenses:** Nursing Services expenses increased by 4.1% primarily due to increased supply costs.

Other professional services increased by 2.2% primarily due to salary and professional fee cost increases.

General Service expenses decreased .3% as the Hospital was able to control staffing costs and supply expenses within these areas.

All other fiscal and administrative service costs decreased by 4.6% primarily related to employee benefit costs including payroll taxes, and IPERS fund changes.

**Capital Assets:**

At the end of fiscal year 2015, the Hospital has invested approximately \$19.8 million in capital assets as shown in Table 4.

**Table 4  
Capital Assets  
(in thousands)**

	<b>June 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Land & Land Improvements	\$ 1,081	\$ 1,058	\$ 1,058
Buildings	\$ 19,627	\$ 18,422	\$ 18,239
Major Moveable Equipment	\$ 8,307	\$ 8,195	\$ 7,844
Medical records	\$ 253	\$ 253	\$ 253
Construction/Equipment Installs in Progress	\$ 10,014	\$ 5,945	\$ 1,229
Subtotal	<u>\$ 39,282</u>	<u>\$ 33,873</u>	<u>\$ 28,623</u>
Less accumulated depreciation	\$ (19,439)	\$ (18,182)	\$ (17,076)
Capital assets, net	\$ 19,843	\$ 15,691	\$ 11,547

**Debt Administration:**

At the end of fiscal year 2015, the Hospital had \$11.4 million in debt related to Hospital Revenue Bonds. More detailed information regarding the Hospital's debt is presented in the Notes to the Financial Statements.

**Deferred Outflows and Inflows of Resources**

As of June 30, 2015, the Hospital reported \$1,404,809 of deferred outflows of resources and \$2,647,247 of deferred inflows of resources. The Notes to the Financial Statements provide more detail regarding the nature and components of the deferred outflows and inflows of resources.

**Performance Compared to Budget:**

Net patient revenues were \$32.4 million which was 5% greater than budget for fiscal year ended June 30, 2015.

Operating Expenses were \$33.4 million which was 2% less than budget expectations for the fiscal year ended June 30, 2015.

The non-operating gains of \$1.2 million exceeded budget by 16% as the capital campaign contributions from the Floyd Valley Hospital Foundation continued in support of the capital building project.

The following table compares fiscal year 2015 actual to budget information.

**Table 5**  
**Budget vs. Actual**  
**(in thousands)**

	<b>FY 2015 Actual</b>	<b>FY 2015 Budget</b>	<b>Dollar Variance</b>	<b>Percent Variance</b>
Gross patient service revenue	\$52,261	\$50,618	\$ 1,643	3%
Contractual Adjustments & Bad Debt	\$19,859	\$19,760	\$ 99	1%
Net patient service revenue	\$32,402	\$30,858	\$ 1,544	5%
Other operating revenue	\$ 2,817	\$ 3,447	\$ (630)	(18)%
Total operating revenue	\$35,219	\$34,305	\$ 914	3%
Operating Expenses	\$33,400	\$34,087	\$ (687)	(2)%
Operating Gain/Loss	\$ 1,819	\$ 218	\$ 1,601	734%
Non-Operating Gains (Losses)	\$ 1,154	\$ 1,038	\$ 116	11%
Excess of Revenues over Expenses	\$ 2,973	\$ 1,256	\$ 1,717	137%

**Economic and Other Factors and Next Years Budget:**

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

- Medicare and Medicaid reimbursement rates
- Reimbursement rates of other payors especially Wellmark Blue Cross, which is a significant payor
- Cost of supplies including escalating drug costs
- Workforce shortages especially among nursing and impact on salary costs
- Regulatory changes including healthcare reform
- Facility expansion and growth in demand for services and the need to make significant capital improvements to aging plant and equipment
- Physician recruitment, especially family practice physicians
- Cost associated with maintaining information technology systems in the Hospital especially electronic medical record systems required by the Federal government.

### **Contacting Floyd Valley Hospital's Management**

This financial report is designed to provide our customers, government officials and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional information, contact the Floyd Valley Hospital at (712) 546-7871 or write care of: Director of Financial Services, Floyd Valley Hospital, 714 Lincoln Street NE, Le Mars, Iowa 51031.

**Floyd Valley Hospital**  
**STATEMENTS OF NET POSITION**

	<b>June 30</b>	
	<b>2015</b>	<b>2014</b> <small>(Not restated)</small>
<b>CURRENT ASSETS</b>		
Cash	\$ 9,065,105	\$ 6,175,617
Assets whose use is limited, required for current liabilities	9,408	7,043
Patient receivables, less allowance for contractual adjustments and uncollectible accounts 2015 \$3,639,510; 2014 \$3,661,832	3,736,155	3,910,539
Other current receivables	124,032	33,224
Current portion of note receivable	48,334	71,250
Inventories	416,528	443,302
Prepaid expenses	281,739	246,946
Total current assets	<u>13,681,301</u>	<u>10,887,921</u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
Designated by board for plant replacement and expansion		
Cash	475,836	2,125,425
Certificates of deposit	6,837,367	4,460,412
Accrued interest receivable	10,720	3,160
	<u>7,323,923</u>	<u>6,588,997</u>
Restricted for payment of revenue notes and interest		
Cash	812	1,249
Certificates of deposit	—	—
	<u>812</u>	<u>1,249</u>
Restricted by donors for specific purpose		
Cash	90,399	98,804
Total assets whose use is limited	<u>7,415,134</u>	<u>6,689,050</u>
Less assets whose use is limited and that are required for current liabilities	9,408	7,043
Noncurrent assets whose use is limited	<u>7,405,726</u>	<u>6,682,007</u>
<b>CAPITAL ASSETS</b>	39,281,625	33,873,484
Less accumulated depreciation	19,438,598	18,182,934
Total capital assets	<u>19,843,027</u>	<u>15,690,550</u>
<b>OTHER ASSETS</b>		
Note receivable, net of current portion	38,750	87,084
Beneficial interest in remainder trust	937,000	999,000
Investment in Northwest Iowa Diagnostics	57,394	57,862
Investment in Floyd Valley Home Medical Equipment	137,041	102,570
Total other assets	<u>1,170,185</u>	<u>1,246,516</u>
<b>Total assets</b>	<u>42,100,239</u>	<u>34,506,994</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related deferred outflows	1,404,809	—

See Notes to Financial Statements.

	<b>June 30</b>	
	<u>2015</u>	<u>2014</u>
		(Not restated)
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ —	\$ 36,000
Accounts payable		
Trade	3,505,287	3,285,907
Construction and equipment	1,089,414	781,096
Accrued employee compensation	1,543,642	1,497,516
Security deposits	19,000	25,100
Payroll taxes and amounts withheld from employees	209,319	200,589
Accrued interest	9,408	7,043
Estimated third-party payor settlements	<u>352,318</u>	<u>201,751</u>
Total current liabilities	<u>6,728,388</u>	<u>6,035,002</u>
<b>LONG-TERM LIABILITIES</b>		
Debt, less current maturities	11,445,889	6,983,618
Net pension liability	<u>6,796,303</u>	<u>—</u>
Total long-term liabilities	<u>18,242,192</u>	<u>6,983,618</u>
<b>Total liabilities</b>	<u>24,970,580</u>	<u>13,018,620</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related deferred inflows	<u>2,647,247</u>	<u>—</u>
Total deferred inflows of resources	<u>2,647,247</u>	<u>—</u>
<b>NET POSITION</b>		
Net investment in capital assets, net of related debt	8,397,138	8,670,932
Restricted	91,211	100,053
Unrestricted	<u>7,398,872</u>	<u>12,717,389</u>
Total net position	<u>\$15,887,221</u>	<u>\$21,488,374</u>

**Floyd Valley Hospital**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
		(Not restated)
<b>NET PATIENT SERVICE REVENUE</b> , net of provisions for bad debts 2015 \$540,021; 2014 \$1,061,187	\$32,402,368	\$30,731,372
<b>OTHER REVENUE</b>	<u>2,816,460</u>	<u>3,269,876</u>
Total revenue	<u>35,218,828</u>	<u>34,001,248</u>
<b>EXPENSES</b>		
Nursing service	8,581,562	8,240,454
Other professional service	13,455,198	13,169,216
General service	1,754,392	1,759,878
Fiscal and administrative service and unassigned expenses	8,214,259	8,612,651
Provision for depreciation and amortization	<u>1,394,556</u>	<u>1,498,046</u>
Total expenses	<u>33,399,967</u>	<u>33,280,245</u>
Operating income	<u>1,818,861</u>	<u>721,003</u>
<b>NONOPERATING GAINS (LOSSES)</b>		
Interest income	49,828	44,764
Interest and amortization expense	(16,328)	(636,104)
Unrestricted contribution	1,200	-
Change in value of split-interest agreement	(62,000)	448,000
Equity in earnings of equity method investments	60,539	53,310
(Loss) on disposal of equipment	<u>(21,747)</u>	<u>(1,569)</u>
Total nonoperating gains (losses)	<u>11,492</u>	<u>(91,599)</u>
Excess of revenues over expenses before restricted contributions	1,830,353	629,404
<b>RESTRICTED CONTRIBUTIONS</b>	<u>1,142,487</u>	<u>993,526</u>
Change in net position	2,972,840	1,622,930
<b>TOTAL NET POSITION</b>		
Beginning, as restated	<u>12,914,381</u>	<u>19,865,444</u>
Ending	<u>\$15,887,221</u>	<u>\$21,488,374</u>

**Floyd Valley Hospital  
STATEMENTS OF CASH FLOWS**

	<b>Year ended June 30</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b> <b>(Not restated)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from patients and third-party payors	\$32,727,319	\$30,752,997
Cash paid to employees for service	(16,441,803)	(15,876,623)
Cash paid to suppliers for goods and services	(15,761,393)	(15,338,594)
Other operating revenue received	<u>2,719,552</u>	<u>3,345,688</u>
Net cash provided by operating activities	<u>3,243,675</u>	<u>2,883,468</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Unrestricted contributions received	1,200	-
Contributions restricted for capital assets, net	<u>1,142,487</u>	<u>993,526</u>
Net cash provided by noncapital financing activities	<u>1,143,687</u>	<u>993,526</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(5,274,424)	(5,183,295)
Proceeds from sale of capital assets	-	5,449
Proceeds from issuance of long-term debt	4,462,271	6,983,618
Principal paid on long-term debt	(36,000)	(3,812,000)
Interest paid on long-term debt	-	(121,894)
Payment of financing costs	<u>-</u>	<u>(450,973)</u>
Net cash (used in) capital and related financing activities	<u>(848,153)</u>	<u>(2,579,095)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(6,083,792)	(4,138,832)
Proceeds from maturities of certificates of deposit	3,706,837	4,136,826
Distribution from Floyd Valley Home Medical Equipment	9,000	30,500
Distribution from Northwest Iowa Diagnostics	17,535	21,918
Interest received	<u>42,268</u>	<u>43,955</u>
Net cash provided by (used in) investing activities	<u>(2,308,152)</u>	<u>94,367</u>
<b>NET INCREASE IN CASH</b>	1,231,057	1,392,266
<b>CASH</b>		
Beginning	<u>8,401,095</u>	<u>7,008,829</u>
Ending	<u>\$ 9,632,152</u>	<u>\$ 8,401,095</u>

See Notes to Financial Statements.

**Floyd Valley Hospital**  
**STATEMENTS OF CASH FLOWS (continued)**

	<b>Year ended June 30</b>	
	<b>2015</b>	<b>2014</b>
		<small>(Not restated)</small>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$1,818,861	\$ 721,003
Adjustments to reconcile operating income to net cash provided by operating activities		
Provision for depreciation and amortization	1,394,556	1,498,046
Forgive note receivable	71,250	71,249
Change in assets, liabilities, deferred outflows and deferred inflows		
Patient receivables	174,384	7,517
Other current receivables	(90,808)	71,212
Inventories	26,774	(58,586)
Prepaid expenses	(34,793)	(30,157)
Note receivable	-	(145,000)
Estimated third-party payor settlements	150,567	14,108
Pension related deferred outflows	(403,434)	-
Accounts payable, net of amounts for capital assets	219,380	591,019
Accrued employee compensation	46,126	194,686
Security deposits	(6,100)	4,600
Payroll taxes and withholdings	8,730	(56,229)
Pension related deferred inflows	2,647,247	-
Net pension liability	(2,779,065)	-
Net cash provided by operating activities	<u>\$3,243,675</u>	<u>\$2,883,468</u>
<b>RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</b>		
Per statement of net position		
Current assets	\$9,065,105	\$6,175,617
Assets whose use is limited		
Designated by board for plant replacement and expansion	475,836	2,125,425
Restricted for payment of revenue notes and interest	812	1,249
Restricted by donors for specific purpose	<u>90,399</u>	<u>98,804</u>
Total per statements of cash flows	<u>\$9,632,152</u>	<u>\$8,401,095</u>
<b>SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES</b>		
Increase (decrease) in beneficial interest in remainder trust	<u>\$ (62,000)</u>	<u>\$ 448,000</u>

See Notes to Financial Statements.

**Floyd Valley Hospital Foundation**  
**(A Component Unit of Floyd Valley Hospital)**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>June 30</b>	
<b>ASSETS</b>	<b>2015</b>	<b>2014</b>
Interest in the net assets of Avera Health Investment Pool	\$ 559,898	\$ 348,586
Contributions receivable	<u>808,281</u>	<u>1,353,018</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,368,179</u></b>	<b><u>\$1,701,604</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ <u>353</u>	\$ <u>334</u>
<b>NET ASSETS</b>		
Unrestricted		
Designated by Board for endowment	68,142	69,688
Undesignated	203,246	164,651
Temporarily restricted	1,082,961	1,453,454
Permanently restricted	<u>13,477</u>	<u>13,477</u>
Total net assets	<u>1,367,826</u>	<u>1,701,270</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$1,368,179</u></b>	<b><u>\$1,701,604</u></b>

See Notes to Financial Statements.

**Floyd Valley Hospital Foundation**  
**(A Component Unit of Floyd Valley Hospital)**  
**STATEMENTS OF ACTIVITIES**

	<b>Year ended June 30, 2015</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 1,417	\$ 51,181	\$ —	\$ 52,598
Special event	61,997	38,552	—	100,549
Investment gain	1,103	20,062	—	21,165
	<u>64,517</u>	<u>109,795</u>	<u>—</u>	<u>174,312</u>
Net assets released from restrictions				
Satisfaction of purpose	480,288	(480,288)	—	—
Total revenue and support	<u>544,805</u>	<u>(370,493)</u>	<u>—</u>	<u>174,312</u>
<b>EXPENSES</b>				
Program services				
Floyd Valley Hospital Employee Assistance	4,513	—	—	4,513
Capital Campaign	442,520	—	—	442,520
Pediatrics, cost of direct benefit to donors	27,834	—	—	27,834
Health education	376	—	—	376
Caring for life, cost of direct benefit to donors	25,419	—	—	25,419
Therapy services	101	—	—	101
Cancer services	—	—	—	—
Breast Cancer Detection Assistance	—	—	—	—
Musson Scholarships	500	—	—	500
Total program services	<u>501,263</u>	<u>—</u>	<u>—</u>	<u>501,263</u>
Supporting service				
Administrative services	6,493	—	—	6,493
Total expenses	<u>507,756</u>	<u>—</u>	<u>—</u>	<u>507,756</u>
<b>CHANGE IN NET ASSETS</b>	37,049	(370,493)	—	(333,444)
<b>NET ASSETS</b> , beginning of year	<u>234,339</u>	<u>1,453,454</u>	<u>13,477</u>	<u>1,701,270</u>
<b>NET ASSETS</b> , end of year	<u>\$ 271,388</u>	<u>\$1,082,961</u>	<u>\$ 13,477</u>	<u>\$1,367,826</u>

See Notes to Financial Statements.

**Year ended June 30, 2014**

<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
\$ 1,839	\$ 1,841	\$ -	\$ 3,680
-	2,131,868	-	2,131,868
<u>27,685</u>	<u>10,724</u>	<u>-</u>	<u>38,409</u>
<u>29,524</u>	<u>2,144,433</u>	<u>-</u>	<u>2,173,957</u>
<u>868,120</u>	<u>(868,120)</u>	<u>-</u>	<u>-</u>
<u>897,644</u>	<u>1,276,313</u>	<u>-</u>	<u>2,173,957</u>
3,562	-	-	3,562
474,400	-	-	474,400
21,184	-	-	21,184
-	-	-	-
350,605	-	-	350,605
-	-	-	-
19,259	-	-	19,259
268	-	-	268
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>869,278</u>	<u>-</u>	<u>-</u>	<u>869,278</u>
<u>2,995</u>	<u>-</u>	<u>-</u>	<u>2,995</u>
<u>872,273</u>	<u>-</u>	<u>-</u>	<u>872,273</u>
25,371	1,276,313	-	1,301,684
<u>208,968</u>	<u>177,141</u>	<u>13,477</u>	<u>399,586</u>
<u>\$ 234,339</u>	<u>\$1,453,454</u>	<u>\$ 13,477</u>	<u>\$1,701,270</u>

**Floyd Valley Hospital Foundation**  
**(A Component Unit of Floyd Valley Hospital)**  
**STATEMENTS OF CASH FLOWS**

	<b>Year ended June 30</b>	
	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (333,444)	\$1,301,684
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Contributions receivable	544,737	(1,351,344)
Accounts payable	19	(42,780)
Net cash provided by (used in) operating activities	211,312	(92,440)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchase/redemption of the interest in the net assets of Avera Health Foundation	(211,312)	92,440
Net cash provided by (used in) investing activities	(211,312)	92,440
<b>NET CHANGE IN CASH</b>	-	-
<b>CASH</b>		
Beginning	-	-
Ending	\$ -	\$ -

See Notes to Financial Statements.

**Floyd Valley Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

The Hospital is the municipal hospital of the City of Le Mars, Iowa, organized under Chapter 392, Code of Iowa and as such is not subject to taxes on income or property. The Hospital grants credit to patients, substantially all of whom are city residents or reside in the immediate vicinity.

**Reporting Entity**

For financial reporting purposes, the Hospital has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hospital has 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 Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Hospital 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 Hospital. These criteria also include organizations that are fiscally dependent on the Hospital. For the fiscal years ended June 30, 2015 and 2014 Floyd Valley Hospital has one component unit which meets the Governmental Accounting Standards Board criteria. This component unit is the Floyd Valley Hospital Foundation. The Foundation's financial statements are separately presented on pages 17-20.

The Hospital is includable as a component unit within the City of Le Mars, Iowa reporting entity due to fiscal dependence.

**Measurement Focus and Basis of Accounting**

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

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

**Accounting Standards**

The Hospital has elected to apply all applicable Governmental Accounting Standards Board pronouncements.

Floyd Valley Hospital Foundation's financial statement presentation follows the recommendations of the Financial Statements of Not-for-Profit Organizations Topic of the *FASB Accounting Standards Codification*. Under Financial Statements of Not-for-Profit Organizations Topic of the *FASB Accounting Standards Codification*, the Foundation is required to report information regarding its financial position and changes in net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are those assets which are neither temporarily or permanently restricted by donor-imposed stipulations and represent the portion of expendable assets available for support of Foundation operations.

Temporarily restricted net assets represent contributions or other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Foundation pursuant to those stipulations. As donor-imposed stipulations expire, temporarily restricted net assets are reclassified as unrestricted net assets.

**Floyd Valley Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accounting Standards (continued)**

Permanently restricted net assets represent contributions or other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Unconditional contributions receivable are recorded as receivables and revenues in the year received.

**Investments and Investment Income**

The Hospital's investments are nonnegotiable certificates of deposit and are reported at cost.

The nonnegotiable certificates of deposit are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors.

Investment income is reported as nonoperating gains.

Assets held by Avera Health Investment Pool by the Floyd Valley Hospital Foundation with readily determinable market values are stated at fair value. The fair value of all debt and equity securities with readily determinable fair values are based on quotations obtained from national and foreign securities exchanges.

The Foundation participates in the Avera Pooled Investment Fund, a fund administered by Avera Health. The Pooled Investment Fund has a portion of its holdings in alternative investments, which are not readily marketable. These alternative investments include partnerships and other interests that invest in hedge funds, real asset funds, and private equity/venture capital funds, among others. Certain alternative investments held within Avera Pooled Investment Fund include liquidity and redemption limitations. Alternative investments representing less than 3% ownership interest are carried at cost. Alternative investments representing greater than 3% ownership interest are recorded using the equity method. Investment income, including interest, dividends, realized gains and losses, and unrealized gains and losses are allocated to participants of the Avera Pooled Investment Fund. (See Note 20)

**Inventories**

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

**Capital Assets**

Capital assets acquisitions are recorded at cost. Capital assets donated for Hospital operations are recorded at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Depreciation is computed using these asset lives:

Land improvements	10 to 20 years
Buildings and fixed equipment	5 to 40 years
Major movable equipment	1 to 20 years
Medical records	5 years

**Interest**

Interest costs related to construction debt are capitalized and included with costs of the project.

**Floyd Valley Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Net Pension Liability**

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

**Deferred Outflows of Resources**

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

**Deferred Inflows of Resources**

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

**Net Position**

Net position is presented in the following three components:

**Invested in capital assets, net of related debt**

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of the notes payable that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted net position**

Restricted net position consists of funds restricted on which constraints have been externally imposed by creditors (such as through debt covenants) grantors, contributors, or laws or regulations of other governments.

**Unrestricted net position**

Unrestricted net position has no externally imposed restrictions on use.

When both restricted and unrestricted net position are available for use, generally it is the Hospital's policy to use restricted net position first.

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

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

**Floyd Valley Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Net Patient Service Revenue**

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

**Charity Care**

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

**Costs of Borrowing**

Costs of borrowing are expensed in the year incurred.

**Use of Estimates**

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

**Contributions Receivable**

Unconditional contributions receivable are recorded as receivables and revenue in the year received.

**Electronic Health Record Incentive Payments**

The Hospital has received payments from the Medicare and Medicaid programs under the Electronic Health Records (EHR) Incentive Program. To qualify for EHR incentive payments, the Hospital must meet designated EHR meaningful use criteria. These incentive payments are reported in other revenue in the financial statements.

**Fair Value Measurements of Foundation Interest in Avera Health Investment Pool**

The Foundation, based on information received from Avera Pooled Investment Fund, has determined the fair value of its interest in accordance with the provisions of The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification*, which provides a framework for measuring fair value under generally accepted accounting principles.

The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. It also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

**Floyd Valley Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Reclassifications**

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

**Income Taxes**

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) for an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated their material tax positions and determined there are no uncertain positions taken or expected to be taken that would require recognition or a liability (or asset) or disclosures in the financial statements. The Foundation is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress. Management believes the Foundation is no longer subject to income tax examinations for years prior to 2011.

**Subsequent Events**

The Foundation has evaluated subsequent events through October 12, 2015, which was the date the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.

**NOTE 2 CASH AND INVESTMENTS**

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

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

The Hospital's investment policy limits the investment of operating funds (funds expected to be expended during a current budget year or within fifteen months of receipt) to instruments that mature within 397 days. Fund not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and uses of the Hospital.

**NOTE 3 PATIENT RECEIVABLES**

Patient accounts receivable reported as current assets consisted of these amounts:

	<b>June 30</b>	
	<b>2015</b>	<b>2014</b>
Receivable from patients	\$2,607,166	\$2,795,210
Receivable from insurance carriers	2,518,197	2,530,768
Receivable from Medicare	1,890,854	1,874,295
Receivable from Medicaid	<u>359,448</u>	<u>372,098</u>
Total patient receivables	7,375,665	7,572,371
Less allowances for contractual and other adjustments	<u>(3,639,510)</u>	<u>(3,661,832)</u>
Totals	<u><b>\$3,736,155</b></u>	<u><b>\$3,910,539</b></u>

**Floyd Valley Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 NOTES RECEIVABLE**

The Hospital has entered into agreements with several physicians, with amounts to be forgiven over specified periods.

Notes receivable at June 30, 2015, are expected to be received as follows:

Year ending June 30,	
2016	\$ 48,334
2017	<u>38,750</u>
Total	<u>\$ 87,084</u>

**NOTE 5 CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2015 and 2014 follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending June 30, 2015</u>
Land	\$ 185,160	\$ —	\$ —	\$ —	\$ 185,160
Land improvements	873,519	—	—	21,976	895,495
Buildings and fixed equipment	18,422,074	101,879	(72,295)	1,175,450	19,627,108
Major movable equipment	8,194,947	97,172	(97,230)	112,160	8,307,049
Intangible					
Medical records	252,633	—	—	—	252,633
Construction and equipment installations in progress	<u>5,945,151</u>	<u>5,379,348</u>	<u>(733)</u>	<u>(1,309,586)</u>	<u>10,014,180</u>
Totals	33,873,484	5,578,399	(170,258)	—	39,281,625
Less accumulated depreciation and amortization	<u>(18,182,934)</u>	<u>(1,394,556)</u>	<u>138,892</u>	<u>—</u>	<u>(19,438,598)</u>
Net capital assets	<u>\$15,690,550</u>	<u>\$4,183,843</u>	<u>\$ (31,366)</u>	<u>\$ —</u>	<u>\$19,843,027</u>

  

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending June 30, 2014</u>
Land	\$ 185,160	\$ —	\$ —	\$ —	\$ 185,160
Land improvements	873,519	—	—	—	873,519
Buildings and fixed equipment	18,238,959	40,379	(101,622)	244,358	18,422,074
Major movable equipment	7,844,113	123,915	(293,516)	520,435	8,194,947
Intangible					
Medical records	252,633	—	—	—	252,633
Construction and equipment installations in progress	<u>1,228,929</u>	<u>5,543,305</u>	<u>(62,290)</u>	<u>(764,793)</u>	<u>5,945,151</u>
Totals	28,623,313	5,707,599	(457,428)	—	33,873,484
Less accumulated depreciation and amortization	<u>(17,076,146)</u>	<u>(1,498,046)</u>	<u>391,258</u>	<u>—</u>	<u>(18,182,934)</u>
Net capital assets	<u>\$11,547,167</u>	<u>\$4,209,553</u>	<u>\$ (66,170)</u>	<u>\$ —</u>	<u>\$15,690,550</u>

Construction in progress at June 30, 2015 consists of costs incurred related to an addition to the current hospital and remodeling of hospital space. Total cost of the project is estimated at approximately \$27,000,000. The project is to be funded by current funds of the Hospital, funds from the Foundation's capital campaign and the acquisition of long-term debt (See Note 10). Equipment installations in progress consists of costs related to coding system software, a sterilizer and a generator.

**Floyd Valley Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 LAND AND BUILDINGS LEASED TO OTHERS**

The Hospital leases space in various medical office buildings. The leases call for monthly rentals of \$1,652. The leases expire at various times through August 2015 with various provisions for renewal options. The Hospital is responsible for all property taxes, utilities, and housekeeping.

Other revenue for the years ended June 30, 2015 and 2014 includes gross rental income of \$19,733 and \$44,590, respectively, for these leases.

Future minimum rentals to be received under these leases are as follows:

**Year ending June 30**

2016	\$ <u>3,304</u>
------	-----------------

**NOTE 7 ASSETS RESTRICTED FOR PAYMENT OF REVENUE NOTES AND INTEREST**

Assets restricted for payment of revenue notes and interest were required to be funded by the note resolution. The related debt was paid during the year ended June 30, 2014 (Note 10). Following are the changes in these assets for the years ended June 30, 2015 and 2014.

	<u>Reserve Fund</u>	<u>Sinking Fund</u>
Balance, June 30, 2013	\$ 668,124	\$ 210,220
Transfers from current asset cash	-	213,717
Interest income	-	1,249
Payment of notes and interest	<u>(668,124)</u>	<u>(423,937)</u>
Balance, June 30, 2014	-	1,249
Other expense	<u>-</u>	<u>(437)</u>
Balance, June 30, 2015	<u>\$ -</u>	<u>\$ 812</u>

**NOTE 8 INVESTMENT IN NORTHWEST IOWA DIAGNOSTICS**

The Hospital has a 44% investment interest in Northwest Iowa Diagnostics, an entity engaged in providing ultrasound technology staffing services. The investment is accounted for using the equity method. The Hospital has recorded its share of the entity's income of \$17,068 and \$29,987 for the years ended June 30, 2015 and 2014, respectively.

Northwest Iowa Diagnostics is an entity formed under chapter 28E of the Iowa Code. The Hospital is a contributing member. The Hospital leases two Hospital employees to provide services for Northwest Iowa Diagnostics. During the years ended June 30, 2015 and 2014, the Hospital received \$191,922 and \$191,210, respectively, in lease revenue from Northwest Iowa Diagnostics related to this agreement. The Hospital paid \$192,120 and \$209,980 to Northwest Iowa Diagnostics for ultrasound services rendered to the Hospital during the years ended June 30, 2015 and 2014, respectively. Separate financial statements of the entity can be obtained by contacting the Hospital's Director of Financial Services.

**Floyd Valley Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 INVESTMENT IN FLOYD VALLEY HOME MEDICAL EQUIPMENT**

The Hospital has a 50% investment interest in Floyd Valley Home Medical Equipment, an entity engaged in the sale and implementation of medical equipment for home use. The investment is accounted for using the equity method. The Hospital has recorded its share of the entity's income of \$43,471 and \$23,323 for the years ended June 30, 2015 and 2014, respectively.

Floyd Valley Home Medical Equipment is an entity formed under chapter 28E of the Iowa Code. The Hospital is a contributing member. The Hospital leases two Hospital employees to provide services for Floyd Valley Home Medical Equipment as well as office space in the Hospital's facility. During the years ended June 30, 2015 and 2014, the Hospital received \$116,015 and \$114,521, respectively, in lease revenue from Floyd Valley Home Medical Equipment related to this agreement.

**NOTE 10 LONG-TERM DEBT**

	<b>Outstanding June 30</b>	
	<b>2015</b>	<b>2014</b>
<b>Hospital Revenue Bonds, Series 2013A, 2013B and 2013C</b>		
<p>The City of Le Mars, Iowa entered into loan agreements for the purpose of providing funds to the Hospital to finance improvements to expand and remodel portions of the Hospital's existing facilities and to refund the Series 2002 notes as discussed above. The loan agreements will not constitute general obligations of the City, nor will they be payable in any manner by taxation, but will be payable solely and only from the net revenues of the Hospital. The loan agreements provide for the following:</p>		
<ul style="list-style-type: none"> <li>• Series 2013A Hospital Revenue Bond in the total amount of \$15,750,000. The funds are to be used to pay a portion of the project costs. Advances are to be made periodically to the final advance date. Interest only payments at 2.1% are to be made from December 18, 2013 to the final advance date. All principal and interest is due December 18, 2015, and will be paid by the proceeds of a United States Department of Agriculture Direct Loan.</li> </ul>	\$ 7,629,318	\$3,339,235
<ul style="list-style-type: none"> <li>• Series 2013B Hospital Revenue Bond in the total amount of \$5,250,000. The funds are to be used to pay a portion of the project costs and to refund the Series 2002 notes. Advances are to be made periodically to the final advance date. Interest only payments at an initial rate of 2.95% commence December 18, 2013 to December 18, 2015. The interest rate will be adjusted periodically throughout the term of the agreement.</li> </ul>	3,766,570	3,594,382
<ul style="list-style-type: none"> <li>• Series 2013C Hospital Revenue Bond in the total amount of \$4,600,000. The funds are to be used to pay a portion of the project costs. Advances are to be made periodically to the final advance date. Interest only payments are to be made quarterly at 3.5% commencing March 31, 2014.</li> </ul>	50,001	50,001
<b>Rural Economic Development Loan</b>		
<p>The Hospital entered into a note payable obligation with North West Rural Electric Cooperative on November 6, 2008. This note called for quarterly principal only payments of \$18,000 beginning fifteen months following the date of the first advance of funds. The interest rate is -0-%. This note was paid during the year ended June 30, 2015.</p>		
Totals	11,445,889	7,019,618
Less current maturities	—	(36,000)
Total long-term debt	<u>\$11,445,889</u>	<u>\$6,983,618</u>

**Floyd Valley Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 LONG-TERM DEBT (continued)**

Maturities on the Series 2013A, 2013B and 2013C Hospital Revenue Bonds will be determined at the final advance date for each issue. The Revenue Bond resolutions require, among other things, the maintenance of a sinking fund which will be maintained.

Long-term debt activity for the years ended June 30, 2015 and 2014 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<b>2015</b>					
Hospital revenue bonds – Series 2013	\$6,983,618	\$4,462,271	\$ –	\$11,445,889	\$ –
Rural economic development note	<u>36,000</u>	<u>–</u>	<u>36,000</u>	<u>–</u>	<u>–</u>
Totals	<u>\$7,019,618</u>	<u>\$4,462,271</u>	<u>\$ 36,000</u>	<u>\$11,445,889</u>	<u>\$ –</u>
<b>2014</b>					
Hospital revenue notes – Series 2002	\$3,740,000	\$ –	\$3,740,000	\$ –	\$ –
Hospital revenue bonds – Series 2013	–	6,983,618	–	6,983,618	–
Rural economic development note	<u>108,000</u>	<u>–</u>	<u>72,000</u>	<u>36,000</u>	<u>36,000</u>
Totals	<u>\$3,848,000</u>	<u>\$6,983,618</u>	<u>\$3,812,000</u>	<u>\$7,019,618</u>	<u>\$ 36,000</u>

**NOTE 11 CHARITY CARE**

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

	<u>2015</u>	<u>2014</u>
Charges foregone, based on established rates	\$ <u>188,279</u>	\$ <u>359,093</u>
Equivalent percentage of charity care patients to all patients served	<u>.4%</u>	<u>.7%</u>

**NOTE 12 PENSION PLAN**

**Plan Description**

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

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

**Floyd Valley Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 PENSION PLAN (continued)**

**Pension Benefits**

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

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

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

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

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

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

**Disability and Death Benefits**

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

**Contributions**

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Hospital contributed 8.93 percent for a total rate of 14.88 percent.

The Hospital's contributions to IPERS for the years ended June 30, 2015 and 2014 were \$1,031,010 and \$1,004,072, respectively.

**Floyd Valley Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 PENSION PLAN (continued)**

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

At June 30, 2015, the Hospital reported a liability of \$6,796,303 for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the Hospital's proportionate share:

	<b>June 30</b>		<b>Change</b>
	<b>2014</b>	<b>2013</b>	
Hospital's proportionate share	.171368%	.166769%	.004599%

For the year ended June 30, 2015, the Hospital recognized pension expense of \$495,758. At June 30, 2015, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Total</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 73,863	\$ —
Change in assumptions	299,936	—
Net difference between projected and actual earnings on pension plan investments	—	2,591,914
Change in proportion and difference between Health Center contributions and proportionate share of contributions	—	55,333
Hospital contributions subsequent to the measurement date	1,031,010	—
<b>Totals</b>	<b>\$1,404,809</b>	<b>\$2,647,247</b>

\$1,031,010 reported as deferred outflows of resources related to pensions resulting from the Hospital contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	<b>Regular Members</b>	<b>Protection Occupation</b>	<b>Total</b>
2016	\$ (573,570)	\$ —	\$ (573,570)
2017	(573,570)	—	(573,570)
2018	(573,570)	—	(573,570)
2019	(573,568)	—	(573,568)
2020	20,830	—	20,830
<b>Totals</b>	<b>\$(2,273,448)</b>	<b>\$—</b>	<b>\$(2,273,448)</b>

There were no non-employer contributing entities at IPERS.

**Floyd Valley Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 PENSION PLAN (continued)**

**Actuarial Assumptions**

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

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

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

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

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

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

**Discount Rate**

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

**Floyd Valley Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 PENSION PLAN (continued)**

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

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

	<b>1% Decrease (6.5%)</b>	<b>Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
Hospital's proportionate share of the net pension liability	<u>\$12,841,424</u>	<u>\$6,796,303</u>	<u>\$1,693,595</u>

**Pension Plan Fiduciary Net Position**

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

**Payables to the Pension Plan**

At June 30, 2015, the Hospital reported payables to the defined benefit pension plan of approximately \$9,000 for legally required employer contributions and approximately \$40,200 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**NOTE 13 EMPLOYEE BENEFITS**

The Hospital has a self-insured health insurance program for all employees. Claims for health care services covered under the program for employees and their families are accrued when incurred. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$50,000 per person and approximately \$2,978,000 in the aggregate. Expense under this self-insurance program for the years ended June 30, 2015 and 2014 was \$2,642,908 and \$2,665,045, respectively, which includes program administration expenses.

**NOTE 14 OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The Hospital operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses and dependents. There are 268 active and -0- retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefit plans are self-insured and are administered by a third party. Retirees under age 65 pay 102% of the full active employee premium rates. This results in an implicit subsidy and an Other Post Employment Benefit, OPEB, liability. The contribution requirements of plan members are established and may be amended by the Hospital. The Hospital currently finances the retiree benefit plan on a pay-as-you-go basis.

**Floyd Valley Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

The Hospital's annual OPEB cost is calculated based on the annual required contribution, ARC, of the Hospital, an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Hospital's annual OPEB cost for June 30, 2015, the amount actually contributed to the plan and changes in the Hospital's net OPEB obligation:

Annual required contribution, ARC	\$ 6,981
Interest on net OPEB obligation	(491)
Adjustment to annual required contribution	<u>639</u>
Annual OPEB cost	7,129
Contributions made	<u>—</u>
Increase in net OPEB obligation	7,129
Net OPEB obligation, beginning of year	<u>(9,826)</u>
 Net OPEB obligation, end of year	 <u>\$ (2,697)</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the Hospital contributed \$-0- to the plan. The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015 are summarized as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
June 30, 2013	\$ <u>5,717</u>	<u>0%</u>	\$ <u>(15,526)</u>
June 30, 2014	\$ <u>5,700</u>	<u>0%</u>	\$ <u>(9,826)</u>
June 30, 2015	\$ <u>7,129</u>	<u>0%</u>	\$ <u>(2,697)</u>

As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$48,900 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$48,900. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11,767,000, and the ratio of the UAAL to the covered payroll was .4%. As of June 30, 2015, there were no trust fund assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

**Floyd Valley Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

As of the July 1, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the Hospital's funding policy. The annual medical trend rate is 5%.

Mortality rates are from the RP2014 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Actuary's Pension Handbook.

Projected claim costs of the medical plan are approximately \$1,308 per month for retirees. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

**NOTE 15 CONTINGENCIES**

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

The Hospital is from time to time subject to claims and suits alleging malpractice. In the opinion of management, the ultimate cost, if any, related to the resolution of such pending legal proceedings will be within the limits of insurance coverage and, accordingly, will not have a significant effect on the financial position or the results of operations of the Hospital.

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

**NOTE 16 NET PATIENT SERVICE REVENUE**

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

**Medicare and Medicaid**

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

**Other**

The Hospital has payment agreements with Wellmark, other commercial insurance carriers and health maintenance organizations. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

**Floyd Valley Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 17 HOSPITAL RISK MANAGEMENT**

The Hospital 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 the purchase of commercial insurance purchased from independent third parties. The Hospital 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.

**NOTE 18 SPLIT INTEREST AGREEMENT**

The Hospital is a party of a split-interest agreement. The Hospital reports separately the fair value of the assets of the split-interest agreement in its balance sheet and a change in value of \$(62,000) and \$448,000 for the years ended June 30, 2015 and 2014, respectively, from the split-interest agreement in its statements of revenues, expenses and changes in net position.

Charitable remainder unitrust are arrangements between a donor, who establishes the trust, and the Hospital as beneficiary. The donor contributed assets to the trust in exchange for a promise from the trust to pay the donor the lesser of a fixed percentage amount of 5% of net fair value of the assets of the trust or trust income, for the life of the donor. Assets received have been recognized at fair value. Unrestricted contribution revenue is recognized at the same value because trust income and expense are expected to be the same. To calculate the present value of the charitable remainder unitrust, the 2003 life expectancy tables (published by the National Center of Health Statistics) and a 6% discount rate were used.

**NOTE 19 FLOYD VALLEY HOSPITAL FOUNDATION**

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hospital's management has determined that the Floyd Valley Hospital Foundation is a component unit of the Hospital. The Floyd Valley Hospital Foundation was established to raise funds to support the operations and other activities of the Floyd Valley Hospital. And as such, the Foundation is considered to be a component unit of the Hospital based on the related benefits to the Hospital. The Foundation's audited statement of financial position as of June 30, 2015 and 2014, and audited statements of activities and cash flows for the year then ended, are included on pages 17-20.

**NOTE 20 ASSETS HELD AT THE AVERA HEALTH FOUNDATION**

The Floyd Valley Hospital Foundation (FVHF) has transferred assets to the Avera Health (AH) to be part of a common investment fund, Avera Health Pooled Investments (AHPI).

Amounts reported in the statement of financial position of FVHF as interest in the net assets of AHPI represents the net cumulative transfers by FVHF to AHPI as well as earnings net of disbursements. Distributions may be requested from time to time from the investment fund to meet the requirements FVHF has established for its charitable, educational or scientific purposes. Generally, FVHF can request payment for all or any part of its funds upon thirty day notice to AH.

The assets transferred to AHPI are invested in a pooled investment fund at the direction of AHPI Committee. The objective of the fund is optimum total return consistent with a high degree of liquidity and reasonable safety of principal. Avera Health Pooled Investments includes investments in securities that are measured at fair value using inputs under the guidance provided by The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification*. Avera Health Pooled Investments also includes investments that are recorded at historic cost, subject to an annual impairment test, or under the equity method as described in the investment policy.

**Floyd Valley Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 20 ASSETS HELD AT THE AVERA HEALTH FOUNDATION (continued)**

The fair value measurement literature established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets and Level 3 inputs have the lowest priority. The AH uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the AH measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

As of June 30, 2015 and 2014, the valuation of investment within Avera Health Pooled Investments was as follows:

	<u>2015</u>	<u>2014</u>
Fair value - Level 1 inputs	19.1%	22.6%
Fair value - Level 2 inputs	64.6%	62.6%
Fair value - Level 3 inputs	<u>16.3%</u>	<u>14.8%</u>
	<u>100.0%</u>	<u>100.0%</u>

The investment allocation at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Non-publicly traded stocks, trusts, and partnerships (alternative investments)	16.4%	14.7%
US Treasury and Agency obligations	2.5%	3.4%
Foreign stocks and other	5.9%	6.2%
Publicly traded equity securities	7.9%	8.1%
Cash and short-term investments	5.5%	3.1%
Corporate bonds	7.8%	8.4%
Publicly traded mutual funds	<u>54.9%</u>	<u>56.1%</u>
	<u>100.0%</u>	<u>100.0%</u>

Investment income, realized and unrealized gains and losses, of the investment pool are allocated to the FVHF based on the pooled assets value. Allocation of investment income is as follows for the year ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Interest, dividends and net realized gains and losses	\$ 23,333	\$ 21,036
Net unrealized gains	<u>(2,168)</u>	<u>17,373</u>
Investment income, net	<u>\$ 21,165</u>	<u>\$ 38,409</u>

**Floyd Valley Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 21 FLOYD VALLEY HOSPITAL FOUNDATION NET ASSETS**

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

	<u>2015</u>	<u>2014</u>
Medical records equipment	\$ 1,390	\$ 1,390
Capital campaign	994,429	1,359,284
Pediatric equipment	50,138	63,282
Employee assistance	29,940	22,296
EMS training scholarship	2,274	2,274
Endowment	2,029	2,167
Park Place Estates	<u>2,761</u>	<u>2,761</u>
	<u>\$1,082,961</u>	<u>\$1,453,454</u>

Permanently restricted net assets are available to provide support for the EMS training scholarship and total \$13,477 at June 30, 2015 and 2014.

**NOTE 22 ENDOWMENT**

The Foundation's endowment funds consist of Board designated assets, temporarily restricted net assets which are available for a variety of purposes and permanently restricted net assets which provide that the principal be invested in perpetuity and the income only be used. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has adopted the practice of preserving the fair value of the original gift as of the gift date of the permanently restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. Use of the investment income from the assets may be unrestricted and used as the Foundation deems necessary for the purposes for which the original restricted gift was received. Currently, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

**Floyd Valley Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 22 ENDOWMENT (continued)**

From time to time, the fair value of assets associated with donor-restricted funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2015 and 2014 the Foundation did not have a deficiency in donor-restricted funds.

	<b>Year ended June 30, 2015</b>			
	<b>Endowment Funds</b>			
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 69,688	\$1,453,454	\$ 13,477	\$1,536,619
Investment return				
Investment income (loss)	(1,030)	20,062	-	19,032
Contributions and special events	-	89,733	-	89,733
Appropriation of endowment assets for expenditure	(516)	(480,288)	-	(480,804)
Endowment assets, end of year	<u>\$ 68,142</u>	<u>\$1,082,961</u>	<u>\$ 13,477</u>	<u>\$1,164,580</u>

	<b>Year ended June 30, 2014</b>			
	<b>Endowment Funds</b>			
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 61,693	\$ 177,141	\$ 13,477	\$ 252,311
Investment return				
Investment income	8,269	10,724	-	18,993
Contributions and special events	250	2,133,709	-	2,133,959
Appropriation of endowment assets for expenditure	(524)	(868,120)	-	(868,644)
Endowment assets, end of year	<u>\$ 69,688</u>	<u>\$1,453,454</u>	<u>\$ 13,477</u>	<u>\$1,536,619</u>

**NOTE 23 CONTRIBUTIONS RECEIVABLE**

As of June 30, 2015 and 2014, the Foundation's contributions receivable consists of promises to give to assist in funding the Hospital's expansion and renovation project. The Foundation has not recorded an allowance for uncollectible receivables as of June 30, 2015 as it is estimated that all amounts will be collected.

A summary of activity for the years ended June 30, 2015 and 2014 is as follows:

	<b>June 30</b>	
	<b>2015</b>	<b>2014</b>
Contributions receivable, beginning of year	\$1,353,018	\$ 1,674
Contributions made during the year	59,428	2,092,012
Payments received	(232,679)	(325,455)
Discount on receivables at 8%	(371,486)	(415,213)
Contributions receivable, end of year	<u>\$ 808,281</u>	<u>\$1,353,018</u>

**Floyd Valley Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 23 CONTRIBUTIONS RECEIVABLE (continued)**

As of June 30, 2015, the pledges are expected to be received in the following periods:

In one year or less	\$ 246,176
Between one and five years	522,824
More than five years	410,767
Less discount	<u>(371,486)</u>
Total	<u>\$ 808,281</u>

**NOTE 24 ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS**

The Hospital has met the EHR meaningful use criteria and has received payments from the Medicare and Medicaid programs. Payments received and included in other revenue total \$194,962 and \$331,852 for the years ended June 30, 2015 and 2014, respectively.

**NOTE 25 ACCOUNTING CHANGE/RESTATEMENT**

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

	<b><u>Net position</u></b>
Net position June 30, 2014, as previously reported	\$21,488,374
Net pension liability at June 30, 2014	(9,575,368)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>1,001,375</u>
Net position July 1, 2014, as restated	<u>\$12,914,381</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**Floyd Valley Hospital  
Budgetary Comparison Schedule  
Year ended June 30, 2015**

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. The Hospital annually adopts a budget and presents it to the City Council for inclusion in the City's annual budget, which is adopted following required public notice and hearings for all funds. The City's annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The Hospital prepares its annual budget on a basis (budget basis) which differs from generally accepted accounting principles (GAAP basis). The major differences between budget and GAAP basis is that interest expense, property and equipment additions, and debt service principal amounts are included in operating expenditures on the budget basis.

The following is a comparison of reported expenses to budget:

	<b>Operating expenses (GAAP basis)</b>	<b>Budget basis adjustment</b>	<b>Budget basis</b>	<b>Budgeted Amounts</b>		<b>Final to actual budget variance</b>
				<u>Original</u>	<u>Amended</u>	
Year ended June 30, 2015 totals	<u>\$33,399,967</u>	<u>\$4,219,843</u>	<u>\$37,619,810</u>	<u>\$51,875,000</u>	<u>\$ —</u>	<u>\$14,255,190</u>

**Floyd Valley Hospital**  
**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**  
(In Thousands)

**Required Supplementary Information**

<u>Fiscal year ended</u>	<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b - a)/c)</u>
2013	June 30, 2012	\$ <u>—</u>	\$ <u>38</u>	\$ <u>38</u>	<u>0.0%</u>	\$ <u>10,004</u>	<u>.4%</u>
2014	June 30, 2012	\$ <u>—</u>	\$ <u>38</u>	\$ <u>38</u>	<u>0.0%</u>	\$ <u>11,417</u>	<u>.3%</u>
2015	June 30, 2014	\$ <u>—</u>	\$ <u>49</u>	\$ <u>49</u>	<u>0.0%</u>	\$ <u>11,767</u>	<u>.4%</u>

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

**Floyd Valley Hospital**  
**SCHEDULE OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Iowa Public Employees' Retirement System**  
**(In Thousands)**  
**Required Supplementary Information**

	<b>June 30 2015</b>
Hospital's proportion of the net pension liability	.171368%
Hospital's proportionate share of the net pension liability	\$6,796
Hospital's total payroll	\$11,767
Hospital's proportionate share of the net pension liability as a percentage of its total payroll	58%
Plan fiduciary net position as a percentage of the total pension liability	88%

See accompanying notes to required supplementary information - pension liability.

**Floyd Valley Hospital**  
**SCHEDULE OF HOSPITAL PENSION CONTRIBUTIONS**  
**Iowa Public Employees' Retirement System**  
**(In Thousands)**  
**Required Supplementary Information**

	<u>Year ended June 30</u>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 1,031	\$ 1,004	\$ 953	\$ 854
Contributions in relation to the statutorily required contribution	<u>1,031</u>	<u>1,004</u>	<u>953</u>	<u>854</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Hospital's total payroll	\$11,767	\$11,417	\$11,242	\$10,747
Contributions as a percentage of total payroll	8.8%	8.8%	8.5%	8.0%

See accompanying notes to required supplementary information - pension liability.

**Year ended June 30**

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 695	\$ 646	\$ 512	\$ 462	\$ 409	\$ 385
<u>695</u>	<u>646</u>	<u>512</u>	<u>462</u>	<u>409</u>	<u>385</u>
<u>\$ —</u>					
\$10,203	\$9,958	\$8,232	\$7,763	\$7,278	\$6,819
6.8%	6.5%	6.2%	6.0%	5.6%	5.7%

**Floyd Valley Hospital**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY**  
**Year ended June 30, 2015**

**CHANGES OF BENEFIT TERMS**

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

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

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

**CHANGES OF ASSUMPTIONS**

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

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

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

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

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



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees  
Floyd Valley Hospital  
Le Mars, Iowa

We have audited the financial statements of Floyd Valley Hospital as of and for the years ended June 30, 2015 and 2014, and our report thereon dated October 12, 2015, which appears on pages 4 and 5, contains an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The following supplementary information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information and the schedule of expenditures of federal awards 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

*Denman & Company, LLP*  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
October 12, 2015

**Floyd Valley Hospital**  
**AGE ANALYSIS OF PATIENT RECEIVABLES**

<u>Age of accounts (by date of discharge)</u>	<u>Amounts</u>		<u>Percent to total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
0 - 60 days	\$4,153,617	\$4,356,753	56.31%	57.54%
61 - 90 days	475,512	475,691	6.45	6.28
91 - 180 days	876,950	981,455	11.89	12.96
Over 6 months	<u>1,869,586</u>	<u>1,758,472</u>	<u>25.35</u>	<u>23.22</u>
Totals	<u>7,375,665</u>	<u>7,572,371</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Uncollectible accounts	1,449,643	1,526,391		
Contractual allowances	<u>2,189,867</u>	<u>2,135,441</u>		
Total allowances	<u>3,639,510</u>	<u>3,661,832</u>		
Totals	<u>\$3,736,155</u>	<u>\$3,910,539</u>		

**ANALYSIS OF ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
<b>BALANCE</b> , beginning	\$1,526,391	\$1,519,708
<b>ADD</b>		
Provision for bad debts	540,021	1,061,187
Recoveries of accounts previously written off	230,307	142,040
<b>LESS</b>		
Accounts written off	<u>(847,076)</u>	<u>(1,196,544)</u>
<b>BALANCE</b> , ending	<u>\$1,449,643</u>	<u>\$1,526,391</u>

**Floyd Valley Hospital  
INVENTORIES**

	<u>June 30</u>	
	<u>2015</u>	<u>2014</u>
General stores	\$ 151,137	\$ 166,412
Pharmacy	190,417	198,355
Operating room	71,469	74,593
Intravenous solutions	<u>3,505</u>	<u>3,942</u>
Totals	<u>\$ 416,528</u>	<u>\$ 443,302</u>

**Floyd Valley Hospital  
INSURANCE COVERAGE**

Avera (policy expiration December 31, 2015)	
Professional liability	\$1,000,000/3,000,000
General liability	\$1,000,000/3,000,000
Employee benefits liability	\$1,000,000/3,000,000 \$1,000 deductible
 Umbrella/shared limit	 \$35,000,000
 Automobiles	
Liability	\$1,000,000
Collision	\$500 deductible
Uninsured/under insured motorist	\$1,000,000
Medical payments	\$5,000
 Directors' and officers' liability	 \$5,000,000/\$15,000,000 \$50,000 deductible
 Employee dishonesty liability	 \$1,500,000 \$25,000 deductible
 Employed physician's liability	 \$1,000,000/3,000,000
 Commercial property	
Real property	\$48,353,985
Personal property	\$9,120,080
Earnings and extra expense	\$23,287,225 \$10,000 deductible
 Farm Bureau (policy expiration November 1, 2015)	
Workers' compensation	Statutory

The summary of insurance coverage is presented on the basis of information obtained from policies on file at the Hospital.

**Floyd Valley Hospital  
PATIENT SERVICE REVENUE**

	<u>Total</u>	
	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
<b>DAILY PATIENT SERVICES</b>		
Medical, surgical and obstetric	\$ 3,225,660	\$ 2,998,703
Long term care	399,135	537,259
Nursery	<u>130,525</u>	<u>116,550</u>
	<u>3,755,320</u>	<u>3,652,512</u>
<b>OTHER NURSING SERVICES</b>		
Operating and recovery rooms	6,615,886	6,033,474
Delivery and labor room	312,450	236,410
Central service and supply	2,208,869	1,839,284
Emergency service	7,040,522	6,466,777
Home health services	<u>1,346,877</u>	<u>1,188,041</u>
	<u>17,524,604</u>	<u>15,763,986</u>
<b>OTHER PROFESSIONAL SERVICES</b>		
Laboratory	8,141,730	7,781,017
Electrocardiology	1,187,198	1,011,239
Radiology	7,927,385	7,637,856
Pharmacy	2,632,142	2,520,466
Anesthesiology	1,718,399	1,628,817
Respiratory therapy	370,552	730,914
Physical therapy	1,761,231	1,831,485
Occupational therapy	335,568	277,565
Speech therapy	572,144	481,461
Enterostomy	533,294	435,855
Audiology	1,590	1,320
Clinics	5,828,687	5,611,664
Cardiac rehabilitation	<u>160,170</u>	<u>99,792</u>
	<u>31,170,090</u>	<u>30,049,451</u>
	52,450,014	49,465,949
Charity care charges foregone, based on established rates	<u>(188,279)</u>	<u>(359,093)</u>
Total gross patient service revenue	52,261,735	49,106,856
Provisions for contractual and other adjustments	<u>(19,859,367)</u>	<u>(18,375,484)</u>
Net patient service revenue	<u>\$32,402,368</u>	<u>\$30,731,372</u>

<u>Inpatient</u>		<u>Outpatient</u>		<u>Swing bed</u>	
<u>Year ended June 30</u>		<u>Year ended June 30</u>		<u>Year ended June 30</u>	
<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
\$3,225,660	\$2,998,703	\$ -	\$ -	\$ -	\$ -
-	-	-	-	399,135	537,259
<u>130,525</u>	<u>116,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,356,185</u>	<u>3,115,253</u>	<u>-</u>	<u>-</u>	<u>399,135</u>	<u>537,259</u>
1,887,252	1,600,526	4,728,219	4,430,332	415	2,616
233,360	179,976	79,090	56,434	-	-
1,063,644	842,171	1,106,518	929,412	38,707	67,701
87,221	118,846	6,951,881	6,340,329	1,420	7,602
-	-	<u>1,346,877</u>	<u>1,188,041</u>	<u>-</u>	<u>-</u>
<u>3,271,477</u>	<u>2,741,519</u>	<u>14,212,585</u>	<u>12,944,548</u>	<u>40,542</u>	<u>77,919</u>
690,993	621,502	7,380,803	7,077,706	69,934	81,809
78,748	63,618	1,107,450	942,349	1,000	5,272
362,906	328,214	7,545,972	7,286,363	18,507	23,279
735,615	774,724	1,717,366	1,558,999	179,161	186,743
540,777	477,404	1,176,947	1,149,733	675	1,680
147,492	288,645	197,290	336,118	25,770	106,151
102,582	89,323	1,592,715	1,635,685	65,934	106,477
46,212	25,509	257,806	216,947	31,550	35,109
29,790	26,322	504,662	416,804	37,692	38,335
29,650	26,415	484,864	387,505	18,780	21,935
1,305	1,095	285	225	-	-
-	-	5,828,687	5,611,664	-	-
-	-	160,170	99,792	-	-
<u>2,766,070</u>	<u>2,722,771</u>	<u>27,955,017</u>	<u>26,719,890</u>	<u>449,003</u>	<u>606,790</u>
<u>\$9,393,732</u>	<u>\$8,579,543</u>	<u>\$42,167,602</u>	<u>\$39,664,438</u>	<u>\$ 888,680</u>	<u>\$1,221,968</u>

**Floyd Valley Hospital**  
**PROVISION FOR CONTRACTUAL AND OTHER ADJUSTMENTS**

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Contractual adjustments	\$19,070,256	\$17,122,542
Employee and other allowances	249,090	191,755
Provision for bad debts	<u>540,021</u>	<u>1,061,187</u>
 Totals	 <u>\$19,859,367</u>	 <u>\$18,375,484</u>

**OTHER REVENUE**

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Cafeteria	\$ 106,469	\$ 103,788
Rental income	67,623	95,080
Park Place Estates	1,197,186	1,259,048
Lifeline	66,827	65,081
Electronic health records meaningful use incentive revenue	194,962	331,852
Pharmacy 340b program	499,344	566,076
Other	<u>684,049</u>	<u>848,951</u>
 Totals	 <u>\$2,816,460</u>	 <u>\$3,269,876</u>

**Floyd Valley Hospital  
NURSING SERVICE EXPENSES**

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
<b>NURSING ADMINISTRATION</b>		
Salaries	\$ 184,042	\$ 173,939
Supplies and expenses	<u>2,644</u>	<u>1,993</u>
	<u>186,686</u>	<u>175,932</u>
<b>MEDICAL, SURGICAL AND OBSTETRIC</b>		
Salaries	1,773,029	1,776,484
Supplies and expenses	<u>58,947</u>	<u>89,189</u>
	<u>1,831,976</u>	<u>1,865,673</u>
<b>NURSERY</b>		
Salaries	30,012	30,833
Supplies and expenses	<u>2,244</u>	<u>2,685</u>
	<u>32,256</u>	<u>33,518</u>
<b>OPERATING AND RECOVERY ROOMS</b>		
Salaries	484,504	481,383
Professional fees	1,304,595	1,391,993
Supplies and expenses	<u>193,265</u>	<u>173,283</u>
	<u>1,982,364</u>	<u>2,046,659</u>
<b>DELIVERY AND LABOR ROOM</b>		
Salaries	39,912	35,467
Supplies and expenses	<u>11,869</u>	<u>3,990</u>
	<u>51,781</u>	<u>39,457</u>
<b>CENTRAL SERVICE AND SUPPLY</b>		
Salaries	132,471	129,814
Purchased services	20,086	32,491
Supplies and expenses	<u>1,182,676</u>	<u>867,735</u>
	<u>1,335,233</u>	<u>1,030,040</u>
<b>EMERGENCY SERVICE</b>		
Salaries	829,690	897,562
Professional fees	1,264,638	1,171,841
Supplies and expenses	<u>82,526</u>	<u>76,500</u>
	<u>2,176,854</u>	<u>2,145,903</u>
<b>HOME HEALTH</b>		
Salaries	804,685	748,722
Purchased services	75,611	63,110
Supplies and expenses	<u>104,116</u>	<u>91,440</u>
	<u>984,412</u>	<u>903,272</u>
Totals	<u>\$8,581,562</u>	<u>\$8,240,454</u>

**Floyd Valley Hospital**  
**OTHER PROFESSIONAL SERVICE EXPENSES**

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
<b>LABORATORY</b>		
Salaries	\$ 733,268	\$ 704,903
Professional fees	6,678	9,659
Purchased services	316,931	306,730
Supplies and expenses	494,350	429,669
Blood	47,316	46,071
	<u>1,598,543</u>	<u>1,497,032</u>
<b>ELECTROCARDIOLOGY</b>		
Salaries	10,673	10,625
Purchased services	126,177	89,925
Supplies and expenses	925	564
	<u>137,775</u>	<u>101,114</u>
<b>RADIOLOGY</b>		
Salaries	744,787	709,472
Professional fees	712,155	828,054
Purchased services	630,667	665,779
Supplies and expenses	357,267	302,054
	<u>2,444,876</u>	<u>2,505,359</u>
<b>PHARMACY</b>		
Salaries	292,679	284,689
Purchased services	226,894	252,081
Drugs	786,179	789,823
Intravenous solutions and supplies	13,106	15,858
Supplies and expenses	22,753	19,800
	<u>1,341,611</u>	<u>1,362,251</u>
<b>ANESTHESIOLOGY</b>		
Purchased services	703,348	665,508
Supplies and expenses	13,650	19,256
	<u>716,998</u>	<u>684,764</u>
<b>RESPIRATORY THERAPY</b>		
Salaries	160,552	183,583
Supplies and expenses	2,960	2,083
	<u>163,512</u>	<u>185,666</u>
<b>PHYSICAL THERAPY</b>		
Salaries	129,900	128,581
Purchased services	896,608	904,406
Supplies and expenses	31,890	26,373
	<u>1,058,398</u>	<u>1,059,360</u>
<b>OCCUPATIONAL THERAPY</b>		
Purchased services	184,562	152,639
Supplies and expenses	455	62
	<u>185,017</u>	<u>152,701</u>
<b>OCCUPATIONAL HEALTH</b>		
Salaries	45,756	25,975
Supplies and expense	2,177	1,373
	<u>47,933</u>	<u>27,348</u>

**Floyd Valley Hospital**  
**OTHER PROFESSIONAL SERVICE EXPENSES (continued)**

	<b>Year ended June 30</b>	
	<b>2015</b>	<b>2014</b>
<b>FLOYD VALLEY HOME MEDICAL EQUIPMENT</b>		
Salaries	\$ 75,054	\$ 72,572
Supplies and expenses	<u>827</u>	<u>2,706</u>
	<u>75,881</u>	<u>75,278</u>
<b>SPEECH THERAPY</b>		
Salaries	233,112	21,768
Purchased services	70,169	272,374
Supplies and expenses	<u>12,140</u>	<u>5,312</u>
	<u>315,421</u>	<u>299,454</u>
<b>ENTEROSTOMY</b>		
Salaries	195,378	178,498
Supplies and expenses	<u>5,570</u>	<u>4,755</u>
	<u>200,948</u>	<u>183,253</u>
<b>AUDIOLOGY</b>		
Salaries	409	737
Purchased services	1,278	1,350
Supplies and expenses	<u>165</u>	<u>-</u>
	<u>1,852</u>	<u>2,087</u>
<b>CLINICS</b>		
Salaries	2,121,808	2,088,316
Professional fees	1,825,312	1,800,095
Purchased services	81,902	62,018
Supplies and expenses	<u>595,490</u>	<u>584,424</u>
	<u>4,624,512</u>	<u>4,534,853</u>
<b>CARDIAC REHABILITATION</b>		
Salaries	58,091	52,572
Supplies and expenses	<u>1,793</u>	<u>4,799</u>
	<u>59,884</u>	<u>57,371</u>
<b>LIFELINE</b>		
Salaries	11,523	8,849
Purchased services	31,470	32,139
Supplies and expenses	<u>15,236</u>	<u>12,553</u>
	<u>58,229</u>	<u>53,541</u>
<b>UTILIZATION AND QUALITY ASSURANCE</b>		
Salaries	101,507	91,313
Supplies and expenses	<u>4,783</u>	<u>698</u>
	<u>106,290</u>	<u>92,011</u>
<b>MEDICAL RECORDS</b>		
Salaries	77,134	73,890
Purchased services	160,511	143,145
Supplies and expenses	<u>28,246</u>	<u>28,806</u>
	<u>265,891</u>	<u>245,841</u>
<b>SOCIAL SERVICES</b>		
Salaries	49,307	48,240
Supplies and expenses	<u>2,320</u>	<u>1,692</u>
	<u>51,627</u>	<u>49,932</u>
Totals	<u>\$13,455,198</u>	<u>\$13,169,216</u>

**Floyd Valley Hospital  
GENERAL SERVICE EXPENSES**

	<b>Year ended June 30</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>DIETARY</b>		
Salaries	\$ 429,497	\$ 424,445
Food	294,967	291,088
Purchased services	34,465	40,988
Supplies and expenses	<u>58,117</u>	<u>60,350</u>
	<u>817,046</u>	<u>816,871</u>
<b>PLANT OPERATION AND MAINTENANCE</b>		
Salaries	254,190	234,327
Utilities	262,610	282,213
Purchased services	23,665	20,228
Supplies and expenses	<u>85,697</u>	<u>97,781</u>
	<u>626,162</u>	<u>634,549</u>
<b>HOUSEKEEPING</b>		
Salaries	194,789	195,005
Purchased services	2,473	3,422
Supplies and expenses	<u>35,880</u>	<u>34,495</u>
	<u>233,142</u>	<u>232,922</u>
<b>LAUNDRY AND LINEN</b>		
Purchased services	60,477	59,787
Supplies and expenses	<u>17,565</u>	<u>15,749</u>
	<u>78,042</u>	<u>75,536</u>
 Totals	 <u>\$1,754,392</u>	 <u>\$1,759,878</u>

**Floyd Valley Hospital  
FISCAL AND ADMINISTRATIVE SERVICE  
AND UNASSIGNED EXPENSES**

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
<b>FISCAL AND ADMINISTRATIVE SERVICE</b>		
Administration		
Salaries	\$ 156,914	\$ 142,281
Management fee	450,313	447,142
Telephone	37,814	51,707
Postage	44,062	46,991
Supplies and expenses	122,059	121,103
Freight	41,642	35,392
Organization dues	1,315	1,215
Public relations	15,702	9,870
Marketing	<u>128,525</u>	<u>137,613</u>
	<u>998,346</u>	<u>993,314</u>
Business office		
Salaries	555,879	548,498
Supplies and expenses	<u>305,007</u>	<u>215,072</u>
	<u>860,886</u>	<u>763,570</u>
Data processing		
Salaries	120,261	116,320
Supplies and expenses	<u>911,334</u>	<u>807,404</u>
	<u>1,031,595</u>	<u>923,724</u>
Human resources		
Salaries	125,565	118,796
Supplies and expenses	<u>87,802</u>	<u>70,314</u>
	<u>213,367</u>	<u>189,110</u>
Risk management		
Salaries	44,792	52,366
Supplies and expenses	<u>156,057</u>	<u>144,829</u>
	<u>200,849</u>	<u>197,195</u>
Education		
Salaries	154,806	152,439
Purchased services	8,610	13,313
Supplies and expenses	<u>28,638</u>	<u>25,626</u>
	<u>192,054</u>	<u>191,378</u>
Foundation		
Salaries	-	45,399
Supplies and expenses	<u>376</u>	<u>58,492</u>
	<u>376</u>	<u>103,891</u>
Park Place Estates		
Salaries	411,424	427,051
Purchased services	20,091	23,481
Supplies and expenses	<u>91,264</u>	<u>94,646</u>
	<u>522,779</u>	<u>545,178</u>
<b>UNASSIGNED EXPENSES</b>		
Employee benefits		
Payroll taxes	1,332,932	1,815,265
Group health insurance	2,642,908	2,665,045
Life and disability insurance	117,930	119,056
Insurance	<u>100,237</u>	<u>105,925</u>
	<u>4,194,007</u>	<u>4,705,291</u>
Totals	<u>\$8,214,259</u>	<u>\$8,612,651</u>

**Floyd Valley Hospital  
COMPARATIVE STATISTICS**

	<b>Year ended June 30</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>PATIENT DAYS</b>		
Acute	1,945	1,992
Special care	-	5
Nursery	227	222
Swing bed		
Skilled nursing care	615	930
Intermediate care	<u>19</u>	<u>9</u>
Totals	<u>2,806</u>	<u>3,158</u>
<b>ADMISSIONS</b>	651	641
<b>DISCHARGES</b>	658	641
<b>AVERAGE LENGTH OF STAY, acute and special care</b>	2.96	3.11
<b>BEDS</b>	25	25
<b>OCCUPANCY PERCENT, ACUTE</b>	21.32%	21.89%
<b>NET PATIENT SERVICE REVENUE PER CALENDAR DAY</b>	\$88,774	\$84,196
<b>NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES AT END OF YEAR</b>	42.09	46.45

**Floyd Valley Hospital**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number/Contract #</u>	<u>Federal Expenditures</u>
<b>Direct Federal Awards</b>			
<b>United States Department of Agriculture</b>			
Community Facilities Loans and Grants	10.766	N/A	<u>\$4,290,108</u>

**NOTE A BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Hospital under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Hospital.

See Independent Auditor's Report.



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

Board of Trustees  
Floyd Valley Hospital and Floyd Valley Hospital Foundation  
LeMars, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Floyd Valley Hospital and its component unit, Floyd Valley Hospital Foundation, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Floyd Valley Hospital's and its component unit's basic financial statements, and have issued our report thereon dated October 12, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hospital's and Foundation'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 Hospital's and Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's and Foundation's internal control.

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

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

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the Hospital's and Foundation'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 Hospital and Foundation. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part II of the accompanying Schedule of Findings.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's and Foundation'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 Hospital's and Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
October 12, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees  
Floyd Valley Hospital  
Le Mars, Iowa.

**Report on Compliance for Each Major Federal Program**

We have audited Floyd Valley Hospital's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Floyd Valley Hospital's major federal program for the year ended June 30, 2015. Floyd Valley Hospital's major federal program is identified in the summary of the independent auditor's results section of the accompanying schedule of findings.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on Floyd Valley Hospital's compliance.

**Opinion on Each Major Federal Program**

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

## Report on Internal Control Over Compliance

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

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

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

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

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
October 12, 2015

**Floyd Valley Hospital  
SCHEDULE OF FINDINGS  
Year ended June 30, 2015**

**Part I—Findings Related to the Financial Statements**

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

**Part II—Findings Related to Required Statutory Reporting**

**15-II-A CERTIFIED BUDGET**

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

**15-II-B QUESTIONABLE EXPENDITURES**

No questionable expenditures of Hospital funds were noted.

**15-II-C TRAVEL EXPENSES**

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

**15-II-D BUSINESS TRANSACTIONS**

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

**15-II-E BOARD MINUTES**

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

**15-II-F DEPOSITS AND INVESTMENTS**

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

**Floyd Valley Hospital  
SCHEDULE OF FINDINGS  
Year ended June 30, 2015**

**SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

**Financial Statements**

- (a) The auditor's report expresses an unmodified opinion on the financial statements of Floyd Valley Hospital.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) No instances of noncompliance material to the financial statements of Floyd Valley Hospital, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

**Federal Awards**

- (d) No material weaknesses in internal controls over the major federal award programs were disclosed.
- (e) The auditor's report on compliance for the major programs expresses an unmodified opinion.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) The major program is as follows:  
CFDA Number 10.766 – Community Facilities Loans and Grants
- (h) The dollar threshold used for distinguishing between Types A and B programs was \$300,000.
- (i) Floyd Valley Hospital does not qualify as a low-risk auditee.

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III - FINDINGS FOR FEDERAL AWARDS**

None.