

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2015 AND 2014

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
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**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
BOARD OF TRUSTEES
YEARS ENDED JUNE 30, 2015 AND 2014**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
BOARD OF TRUSTEES		
Mike Stensland	Chairperson	January 1, 2016
Amanda Wood	Secretary	January 1, 2018
Marianne Jones	Trustee	January 1, 2016
Francis Fritz	Trustee	January 1, 2018
Steve Howard	Trustee	January 1, 2016
HOSPITAL OFFICIALS		
Cherelle Montanye	Chief Executive Officer	
Michael White	Chief Financial Officer	



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Ellsworth Municipal Hospital
dba: Hansen Family Hospital
Iowa Falls, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Ellsworth Municipal Hospital dba: Hansen Family Hospital, an enterprise fund of the City of Iowa Falls, Iowa, and its discretely presented component unit, Hansen Family Hospital Foundation, which comprise the related statements of net position and balance sheets as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, activities and changes in net assets, and cash flows for the years then ended, 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.

Auditors' Responsibility

Our responsibility is to express opinions 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ellsworth Municipal Hospital dba: Hansen Family Hospital and its discretely presented component unit as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

During fiscal year ended June 30, 2015, Ellsworth Municipal Hospital dba: Hansen Family Hospital, adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB No. 68. As a result of the implementation of these standards Ellsworth Municipal Hospital dba: Hansen Family Hospital, reported a restatement for the change in accounting principle (See Note 16). Our auditors' opinion was not modified with respect to the restatement.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5-11 and budgetary schedule comparison of expenses and supplemental pension liability information on pages 45-48 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Ellsworth Municipal Hospital dba: Hansen Family Hospital as a whole. The supplementary information on pages 50 through 58 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Trustees
Ellsworth Municipal Hospital dba: Hansen Family Hospital

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Board of Trustees and Hospital Officials listing which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015 on our consideration of Ellsworth Municipal Hospital dba: Hansen Family Hospital and its discretely presented component unit's internal control over financial reporting and on our tests of its compliance with certain provision 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 result 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 Ellsworth Municipal Hospital dba: Hansen Family Hospital and its discretely presented component unit's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Austin, Minnesota
December 10, 2015

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**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014**

The Management's Discussion and Analysis offers the readers of Ellsworth Municipal Hospital's dba: Hansen Family Hospital (the Hospital) financial statements an overview and analysis of the Hospital's financial activities for the fiscal years ended June 30, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with the financial statements and notes, which begin on page 12.

USING THIS ANNUAL REPORT

The June 30, 2015 and 2014 financial reports include the following audited financial statements:

- Statements of Net Position
- Balance Sheets - Foundation
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Activities and Changes in Net Assets - Foundation
- Statements of Cash Flows
- Statements of Cash Flows - Foundation
- Notes to Financial Statements

FINANCIAL HIGHLIGHTS

- The Hospital's total assets decreased by \$347,876 or .8% in 2015, and decreased by \$1,441,872 or 3.2% in 2014.
- The Hospital's net position increased by \$2,204,760 or 29.8% in 2015, and decreased by \$586,989 or 3.9% in 2014
- The Hospital reported an operating income of \$1,454,442 in 2015 and an operating loss of \$1,873,414 in 2014.

THE STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Ellsworth Municipal Hospital's dba: Hansen Family Hospital financial statements report information on the Hospital using accounting methods similar to those used by private sector healthcare organizations. These statements offer short- and long-term information about its activities. The statement of net position includes all of the Hospital's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities). The statement of net position also provides the basis for evaluating the capital structure of the Hospital and assesses the liquidity and financial flexibility.

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 two years 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. Ellsworth Municipal Hospital dba: Hansen Family Hospital does not receive any funding from the City of Iowa Falls. Revenues and expenses are reported on an accrual basis, which means that revenues and expenses are recorded in the periods in which they are incurred.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014**

THE STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

Also supporting, supplementary information to the above statements is provided in:

- Schedules of Patient Service Revenue
- Schedules of Adjustments to Patient Service Revenues and Other Revenue
- Schedules of Operating Expenses
- Schedules of Aged Analysis of Accounting Receivable from Patients and Allowance for Doubtful Accounts
- Schedules of Inventories and Prepaid Expenses
- Schedules of Bond Investment Transactions

FINANCIAL ANALYSIS OF ELLSWORTH MUNICIPAL HOSPITAL DBA: HANSEN FAMILY HOSPITAL

The information from the statement of net position, statements of revenues, expenses and changes in net position, and the statements of cash flows have been summarized in the following tables. Tables 1 and 2 report on the net position of the Hospital and the changes in them. Increases or decreases in net position are one indicator of whether or not the Hospital's financial health is improving. Other non-financial factors can also have an effect on the Hospital's financial position. These can include such things as changes in Medicare and Medicaid regulations and reimbursement, changes with other third-party payers, as well as changes in Hardin County's economic environment and the surrounding areas.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014**

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	<u>2015</u>	<u>2014 (Not Restated)</u>	<u>2013 (Not Restated)</u>
Assets:			
Current Assets	\$ 9,945,527	\$ 8,871,869	\$ 6,629,518
Noncurrent Assets	4,092,311	4,994,234	20,828,737
Capital Assets, Net	27,222,981	27,746,604	16,165,461
Other Assets	<u>1,855,367</u>	<u>1,851,355</u>	<u>1,282,218</u>
Total Assets	43,116,186	43,464,062	44,905,934
Deferred Outflows of Resources:			
Pension Related Deferred Outflows	<u>2,662,365</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>2,662,365</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 45,778,551</u></u>	<u><u>\$ 43,464,062</u></u>	<u><u>\$ 44,905,934</u></u>
Liabilities:			
Current Liabilities	\$ 3,549,539	\$ 4,562,755	\$ 4,263,577
Long-Term Debt	<u>29,339,224</u>	<u>24,290,820</u>	<u>25,444,881</u>
Total Liabilities	32,888,763	28,853,575	29,708,458
Deferred Inflows of Resources:			
Pension Related Deferred Inflows	<u>3,286,500</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>3,286,500</u>	<u>-</u>	<u>-</u>
Net Position:			
Net Investment in Capital Assets	2,940,268	2,855,642	5,628,155
Restricted:			
Expendable for Capital Improvements	1,177,590	1,864,935	1,531,075
By Bond Indentures	2,428,496	2,397,602	18,382,017
Unrestricted	<u>3,056,934</u>	<u>7,492,308</u>	<u>(10,343,771)</u>
Total Net Position	<u>9,603,288</u>	<u>14,610,487</u>	<u>15,197,476</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 45,778,551</u></u>	<u><u>\$ 43,464,062</u></u>	<u><u>\$ 44,905,934</u></u>

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014**

FINANCIAL ANALYSIS OF ELLSWORTH MUNICIPAL HOSPITAL DBA: HANSEN FAMILY HOSPITAL (CONTINUED)

The Hospital's assets in 2015 related to noncurrent cash and investments; a decrease of \$901,923 or 18.1%; current assets; an increase of \$1,073,658 or 12.1%, and capital assets, net; a decrease of \$523,623 or 1.9%. A significant change in the Hospital's deferred outflows and inflows of resources; an increase of \$2,662,365 or 100% and an increase of \$3,286,500 or 100%, respectively.

In 2015 the Hospital's net position increased by \$2,204,760 or 29.8%, as shown in Table 2. This increase is made up of changes in net position invested in capital assets net of related debt and unrestricted net position.

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

	2015	2014 (Not Restated)	2013 (Not Restated)
Operating Revenue:			
Net Patient Service Revenue	\$ 23,773,607	\$ 21,895,096	\$ 19,635,395
Other Revenues	2,094,458	611,162	566,516
Total Operating Revenues	<u>25,868,065</u>	<u>22,506,258</u>	<u>20,201,911</u>
Operating Expenses:			
Salaries and Wages	10,354,906	10,440,169	9,479,792
Employee Benefits	2,739,183	2,897,285	2,557,807
Supplies and Miscellaneous	8,414,861	8,368,006	7,361,873
Depreciation and Amortization	2,141,252	960,477	708,296
Interest Expense	763,421	116,037	42,791
Project Related Expenses	-	1,597,698	2,440,378
Total Operating Expenses	<u>24,413,623</u>	<u>24,379,672</u>	<u>22,590,937</u>
Operating Income (Loss)	1,454,442	(1,873,414)	(2,389,026)
Nonoperating Revenue	<u>313,862</u>	<u>409,061</u>	<u>500,474</u>
Excess (Deficit) of Revenues Over Expenses Before Capital Grants and Contributions	1,768,304	(1,464,353)	(1,888,552)
Capital Grants and Contributions	637,584	877,364	3,565,435
Transfer to City	<u>(201,128)</u>	<u>-</u>	<u>-</u>
Change in Net Position	2,204,760	(586,989)	1,676,883
Net Position, Beginning of Year	<u>7,398,528</u>	<u>15,197,476</u>	<u>13,520,593</u>
Net Position, End of Year	<u>\$ 9,603,288</u>	<u>\$ 14,610,487</u>	<u>\$ 15,197,476</u>

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014**

FINANCIAL ANALYSIS OF ELLSWORTH MUNICIPAL HOSPITAL DBA: HANSEN FAMILY HOSPITAL (CONTINUED)

Net patient service revenue made up 92% in 2015, 97% in 2014 and 2013 of Ellsworth Municipal Hospital's dba: Hansen Family Hospital total operating revenue. To arrive at net patient service revenue, contractual adjustments have been made to gross patient service revenue due to agreements with third-party payers. Table 3 below shows the contractual adjustments that were recognized:

	2015	2014	2013
Total Patient Service Revenues	\$ 47,246,957	\$ 43,413,470	\$ 38,515,080
Contractual Adjustments and Provisions for Bad Debt	23,473,350	21,518,374	18,879,685
Net Patient Service Revenue	<u>\$ 23,773,607</u>	<u>\$ 21,895,096</u>	<u>\$ 19,635,395</u>
Contractual Adjustments as a Percent of Revenues	<u>49.68%</u>	<u>49.57%</u>	<u>49.02%</u>

Total operating expenses increased 33,951 or .14%, in 2015 and increased \$1,788,735, or 7.9%, in 2014. The operating expenses are broken out by department on the schedules of operating expenses; please see pages 48-49 of the audited financial statements for this information.

Operating Income was \$1,454,442 or 5.6% of total operating revenue (total operating revenue less total operating expenses divided by total operating revenue) in 2015 compared to loss of \$1,873,414 or 8.3%, in 2014.

Other Operating Revenue increased by \$1,483,296 or 243%, in 2015 and increased \$44,646 or 7.8% in 2014. Table 4 shows the detail for this line item.

	2015	2014	2013
Rent	\$ 128,915	\$ 128,915	\$ 128,915
Cafeteria	106,926	82,409	65,487
Foundation Services	40,905	68,001	14,812
Health Program	25,279	62,413	69,968
Lab Fees	-	24,899	22,471
Grants	66,622	1,180	15,429
Purchase Discounts and Rebates	38,833	84,080	36,996
Management Fees	186,835	44,006	35,638
Clinic Fees	52,092	49,510	42,193
Contributions for Operations	5,151	(5,172)	31,133
Therapy Services	(1,479)	13,065	18,005
Housekeeping Services	1,404	440	18,802
Healthy Hearts	17,200	3,872	10,888
Miscellaneous Pharmacy Sales	7,753	15,716	8,987
Vending Machines	2,197	1,354	1,791
Medical Records Transcripts	1,154	2,059	2,110
Laundry	-	235	670
EHR Meaningful Use Incentive Payments	1,359,550	-	-
Other	55,121	34,180	42,221
Total Other Revenues	<u>\$ 2,094,458</u>	<u>\$ 611,162</u>	<u>\$ 566,516</u>

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014**

FINANCIAL ANALYSIS OF ELLSWORTH MUNICIPAL HOSPITAL DBA: HANSEN FAMILY HOSPITAL (CONTINUED)

Hospital Statistical Data

Table 5 reflects Ellsworth Municipal Hospital's dba: Hansen Family Hospital statistical data. Acute Patient Days increased in 2015, by 114 days, or 7.3%, compared to the decrease of 166 days, or 9.6%, in 2014. Swing Bed Days decreased by 142 days, or 9.5% in 2015, increased by 130 days, or 9.5% in 2014.

Table 5: Statistical Data

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Patient Days:			
Acute -			
Adult, Pediatric, and OB	1,673	1,559	1,725
Swing Bed	1,355	1,497	1,367
Newborn	175	163	163
Totals	<u>3,203</u>	<u>3,219</u>	<u>3,255</u>
Admissions:			
Acute (Adult, Pediatric, OB and Intensive Care)	469	474	765
Swing Bed	162	159	141
Newborn	94	82	83
Totals	<u>725</u>	<u>715</u>	<u>989</u>
Discharges (Including Deaths):			
Acute (Adults, Pediatric, OB and Intensive Care)	469	474	516
Swing Bed	158	160	160
Newborn	92	82	83
Totals	<u>719</u>	<u>716</u>	<u>759</u>
Average Length of Stay:			
Acute	3	3	3
Swing Bed	9	9	9
Beds:			
Acute and Other	21	21	25
Occupancy Percentage:			
Acute, Based on 21 Beds in			
2015 and 2014, and 25 in 2013	21.8 %	20.3 %	18.9 %

Ellsworth Municipal Hospital's dba: Hansen Family Hospital Cash Flows

Ellsworth Municipal Hospital's dba: Hansen Family Hospital cash flows are consistent with the changes in operating income and financial performance, as discussed earlier.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014**

FINANCIAL ANALYSIS OF ELLSWORTH MUNICIPAL HOSPITAL DBA: HANSEN FAMILY HOSPITAL (CONTINUED)

Capital Assets

At June 30, 2015, Ellsworth Municipal Hospital dba: Hansen Family Hospital had \$27,222,981 invested in capital assets, net of accumulated depreciation. In 2015, the Hospital expended \$2,464,116 to purchase property and equipment. In 2014 and 2013, the Hospital purchased property and equipment costing \$15,588,600 and \$9,170,509, respectively.

Long-Term Debt

Table 6 shows a summary of Ellsworth Municipal Hospital's dba: Hansen Family Hospital long-term debt outstanding.

As of June 30, 2015, the Hospital had \$24,282,713 in revenue notes and capital lease obligations outstanding. No new debt was issued during 2015 or 2014. The Hospital debt issuances – revenue bonds – cannot be issued without approval from the City of Iowa Falls.

	2015	2014	2013
2012 Revenue Bonds	\$ 24,195,599	\$ 25,311,157	\$ 25,311,157
Notes Payable	-	1,916	83,285
USDA Loans	-	3,487	44,286
Capital Lease	87,114	109,818	169,875
Total Long-Term Debt	<u>\$ 24,282,713</u>	<u>\$ 25,426,378</u>	<u>\$ 25,608,603</u>

ECONOMIC FACTORS

Ellsworth Municipal Hospital dba: Hansen Family Hospital continues to move towards being able to meet quality and regulatory benchmarks.

During the Fiscal year 2015, we are highlighting the following items:

1. Implemented an electronic medical record hospital/clinic wide
2. Participating in our Medicare ACO

Contacting the Hospital's Management

This financial report is designed to present the public with a general overview of the Hospital's finances and operating activities. If you have questions or need additional information, please contact Administration at Ellsworth Municipal Hospital dba: Hansen Family Hospital at 920 S Oak Suite 1, Iowa Falls, Iowa 50126.

**ELLSWORTH MUNICIPAL HOSPITAL
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014**

	2015	2014 (Not Restated)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,270,489	\$ 4,025,871
Patient Receivables, Less Allowance for Uncollectible Accounts (2015 - \$1,194,561 and 2014 - \$1,151,667)	3,442,180	3,709,971
Accounts Receivable - Other	2,177,946	419,728
Estimated Third-Party Payor Settlements Receivable	433,996	151,232
Inventories	548,952	489,865
Prepaid Expenses	71,964	75,202
Total Current Assets	9,945,527	8,871,869
 NONCURRENT CASH AND INVESTMENTS		
Internally Designated for Capital Acquisitions	344,250	535,053
Internally Designated for Health Benefits	141,975	240,125
Restricted by Contributors for Capital Improvements	1,177,590	1,667,474
Restricted by Bond Indenture	2,428,496	2,551,582
Noncurrent Cash and Investments	4,092,311	4,994,234
 CAPITAL ASSETS, NET	 27,222,981	 27,746,604
 OTHER ASSETS		
Investments in Affiliated Organizations	1,855,367	1,851,355
Total Other Assets	1,855,367	1,851,355
Total Assets	43,116,186	43,464,062
 DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	2,662,365	-
Total Deferred Outflows of Resources	2,662,365	-
Total Assets and Deferred Outflows of Resources	\$ 45,778,551	\$ 43,464,062

See accompanying Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>2015</u>	<u>2014 (Not Restated)</u>
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 1,159,589	\$ 1,135,558
Accounts Payable - Trade	782,619	888,129
Accounts Payable - Construction	-	866,164
Estimated Health Claims Payable	252,800	188,789
Accrued Payroll and Related Withholdings	1,148,991	1,268,536
Accrued Interest Payable	205,540	215,579
Total Current Liabilities	<u>3,549,539</u>	<u>4,562,755</u>
LONG-TERM LIABILITIES		
Long-Term Debt	23,123,124	24,290,820
Net Pension Liability	6,216,100	-
Total Long-Term Liabilities	<u>29,339,224</u>	<u>24,290,820</u>
Total Liabilities	32,888,763	28,853,575
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	3,286,500	-
Total Deferred Inflows of Resources	<u>3,286,500</u>	<u>-</u>
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Net Investment in Capital Assets	2,940,268	2,855,642
Restricted:		
Expendable for Capital Improvements	1,177,590	1,864,935
By Bond Indentures	2,428,496	2,397,602
Unrestricted	3,056,934	7,492,308
Total Net Position	<u>9,603,288</u>	<u>14,610,487</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 45,778,551</u>	<u>\$ 43,464,062</u>

**HANSEN FAMILY HOSPITAL FOUNDATION
BALANCE SHEETS
JUNE 30, 2015 AND 2014**

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 667,498	\$ 689,542
Pledges Receivable - Current Portion	302,070	513,177
Interest Receivable	277	277
Inventory	4,895	-
Total Current Assets	974,740	1,202,996
NONCURRENT ASSETS		
Investments	109,330	108,607
Beneficial Interest in Net Assets of Community Foundation	75,227	48,746
Pledges Receivable - Less Current Portion, Net	164,152	503,668
Total Noncurrent Assets	348,709	661,021
Total Assets	\$ 1,323,449	\$ 1,864,017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to Ellsworth Municipal Hospital	\$ 289,908	\$ 370,678
NET ASSETS		
Unrestricted	208,191	(147,936)
Temporarily Restricted	750,123	1,592,529
Permanently Restricted	75,227	48,746
Net Assets	1,033,541	1,493,339
Total Liabilities and Net Assets	\$ 1,323,449	\$ 1,864,017

See accompanying Notes to Financial Statements.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014 (Not Restated)
OPERATING REVENUES		
Net Patient Service Revenue (Net of Provision for Bad Debts of \$1,413,018 in 2015 and \$1,599,492 in 2014)	\$ 23,773,607	\$ 21,895,096
Other Revenues	2,094,458	611,162
Total Operating Revenues	25,868,065	22,506,258
OPERATING EXPENSES		
Salaries and Wages	10,354,906	10,440,169
Employee Benefits	2,739,183	2,897,285
Supplies and Miscellaneous	8,414,861	8,368,006
Depreciation and Amortization	2,141,252	960,477
Interest Expense	763,421	116,037
Accelerated Depreciation	-	1,597,698
Total Operating Expenses	24,413,623	24,379,672
OPERATING INCOME (LOSS)	1,454,442	(1,873,414)
NONOPERATING REVENUES (EXPENSES)		
Investment Income	71,015	54,971
Net Gain on Affiliated Organizations	223,170	418,397
Gain (Loss) on Disposal of Capital Assets	19,677	(64,307)
Nonoperating Revenues (Expenses), Net	313,862	409,061
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,768,304	(1,464,353)
CAPITAL CONTRIBUTIONS	637,584	877,364
TRANSFER TO CITY	(201,128)	-
INCREASE (DECREASE) IN NET POSITION	2,204,760	(586,989)
Net Position - Beginning of the Year	7,398,528	15,197,476
NET POSITION - END OF THE YEAR	\$ 9,603,288	\$ 14,610,487

See accompanying Notes to Financial Statements.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014 (Not Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Patients and Third-Party Payors	\$ 23,758,634	\$ 21,064,169
Cash Paid to Employees	(13,149,623)	(13,152,725)
Cash Paid to Suppliers	(8,586,259)	(7,902,512)
Other Receipts and Payments, Net	320,682	427,244
Changes in Pension Related Liabilities	(371,724)	-
Net Cash Provided by Operating Activities	1,971,710	436,176
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(2,464,116)	(15,558,600)
Principal Payments on Long-Term Debt	(1,128,107)	(182,225)
Interest Payments on Long-Term Debt	(763,421)	(116,037)
Capital Grants and Contributions	637,584	877,364
Net Cash Used by Capital and Related Financing Activities	(3,718,060)	(14,979,498)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in Noncurrent Cash and Investments	901,923	16,049,991
(Increase) Decrease in Investments in Affiliated Organizations	219,158	(150,740)
Transfers to Ellsworth Municipal Hospital Foundation	(201,128)	-
Interest Income	71,015	54,971
Net Cash Provided by Investing Activities	990,968	15,954,222
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(755,382)	1,410,900
Cash and Cash Equivalents - Beginning of Year	4,025,871	2,614,971
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,270,489	\$ 4,025,871

See accompanying Notes to Financial Statements.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014 (Not Restated)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,454,442	\$ (1,873,414)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,141,252	2,558,175
Bond Premium Amortization	(15,558)	-
Interest Expense Considered Capital and Related Financing Activity	763,421	116,037
(Increase) Decrease in:		
Patient Receivables	267,791	(648,784)
Accounts Receivable - Other	(1,758,218)	(183,918)
Inventories	(59,087)	(54,220)
Prepaid Expenses	3,238	(8,816)
Deferred Outflows	(2,662,365)	-
Increase (Decrease) in:		
Accounts Payable	(115,549)	528,530
Accrued Expenses	(119,545)	154,596
Accrued Health Claims Payable	64,011	30,133
Third-Party Payor Settlement Payable	(282,764)	(182,143)
Deferred Inflows	3,286,500	-
Net Pension Liability	(995,859)	-
Net Cash Provided by Operating Activities	\$ 1,971,710	\$ 436,176
NONCASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets included in Accounts Payable	\$ -	\$ 1,656,146
Cash Paid for Interest	\$ 773,460	\$ 748,751

See accompanying Notes to Financial Statements.

**HANSEN FAMILY HOSPITAL FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (459,798)	\$ (1,029,709)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Change in Unrealized Gains and Losses on Investments	95	(15,284)
Change in Beneficial Interest in Net Assets of Community Foundation	(26,481)	(21,380)
Changes in Assets and Liabilities:		
Inventory	(4,895)	-
Pledges Receivable	550,623	1,017,286
Due to Ellsworth Municipal Hospital	(80,770)	225,221
Net Cash Provided (Used) by Operating Activities	(21,226)	176,134
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	46,657	54,993
Contributions to Investments	(43,264)	-
Interest Capitalized to Certificates of Deposit	(4,211)	(871)
Net Cash Provided (Used) by Investing Activities	(818)	54,122
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(22,044)	230,256
Cash and Cash Equivalents - Beginning of Year	689,542	459,286
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 667,498	\$ 689,542

See accompanying Notes to Financial Statements.

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**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ellsworth Municipal Hospital dba Hansen Family Hospital (the Hospital) is the municipal hospital of the City of Iowa Falls, organized under Chapter 392, of the Code of Iowa. Services are provided primarily to residents of Hardin and surrounding counties in central Iowa. The Hospital is considered an enterprise fund of the City of Iowa Falls. The Hospital provides healthcare services in accordance with a Management Agreement which is discussed in Note 14.

Reporting Entity

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions and authorities. The Hospital has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Government Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the 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. Ellsworth Municipal Hospital dba: Hansen Family Hospital has no component units which meet the GASB criteria.

Hansen Family Hospital Foundation (the Foundation) is a not-for-profit entity legally separate from Ellsworth Municipal Hospital dba: Hansen Family Hospital. The Hospital does not appoint a voting majority of the Foundation's Board of Directors or in any way impose its will over the Foundation. However, the Foundation is included as a discretely presented component unit due to the nature and significance of its relationship with the Hospital.

Tax Exempt Status

Hansen Family Hospital Foundation is an Iowa non-profit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Hansen Family Hospital Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose, as applicable.

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

Measurement Focus and Basis of Accounting

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

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Ellsworth Municipal Hospital's dba: Hansen Family Hospital financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB. The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis, using the economic resources measurement focus. Based on GASB Codification Topic 1600, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended.

The Foundation's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board (FASB). The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Basis of Presentation

The statement of net position displays the Hospital's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position.

Net position is reported in the following categories/components:

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

Restricted Net Position

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

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

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

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

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposit accounts, and savings accounts.

Accounts Receivable

Ellsworth Municipal Hospital dba: Hansen Family Hospital provides an allowance for uncollectible accounts based on the allowance method using management's judgment. Patients are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice or claim submitted. Account balances past due more than 120 days are individually analyzed for collectability. Amounts for which no payments have been received are written off using management's judgment on a per account basis. In addition, an allowance is estimated for other accounts based on historical experience of the Hospital. At June 30, 2015 and 2014, the allowance for uncollectible accounts was approximately \$1,195,000 and \$1,152,000, respectively.

Inventories

The inventories are recorded at the lower of cost or market using the latest invoice cost, which approximates the first-in, first-out method.

Noncurrent Cash and Investments

Noncurrent cash and investments includes assets set aside by the board of directors for future capital improvements, over which the board retains control and may at its discretion subsequently use for other purposes. Noncurrent cash and investments also include assets held by the bank which are restricted under bond agreements

Capital Assets

Capital assets are reported at cost, if purchased, or at fair market value on the date received, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the property. It is the Hospital's policy to include amortization expense on assets acquired under capital leases with depreciation on owned assets. Capital expenditures greater than \$5,000 are capitalized and depreciated over the life of the asset. Capital expenditures less than \$5,000 are expensed when incurred.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Hospital employees accumulate a limited amount of earned but unused paid leave hours for subsequent use or for payment upon termination, death, or retirement. The cost of projected paid leave payouts is recorded as accrued expenses on the statements of net position based on pay rates that are in effect at June 30, 2015 and 2014.

Pensions

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

Deferred Outflow of Resources

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

Deferred Inflow of Resources

Although certain revenues are measurable they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of pension related deferred inflows.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

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

Operating Revenues and Expenses

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

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without a charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, an adjustment has been recorded to offset the revenue recorded. Charity care provided during the years ended June 30, 2015 and 2014 was \$149,704 and \$431,613, respectively.

Electronic Health Record Incentive Payments

As discussed in Note 3, the Hospital received funds under the Electronic Health Records (EHR) Incentive Program. The Hospital recognized the revenue ratably over the reporting period starting at the point when management was reasonably assured the Hospital met all meaningful use objectives and any other specific grant requirements that were applicable, e.g., electronic transmission of quality measures to CMS in the second and subsequent payment years.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 DESIGNATED NET POSITION

Of the \$3,056,934 and \$7,492,308 of unrestricted net position at June 30, 2015 and 2014, respectively, the board of trustees has designated the amounts below. Designated funds remain under the control of the board of trustees, which may at its discretion later use the funds for other purposes. Designated funds as found below are reflected in noncurrent cash and investments.

	2015	2014
For Capital Acquisitions	\$ 344,250	\$ 535,053
For Health Benefits	141,975	240,125
Total Designated Net Position	\$ 486,225	\$ 775,178

NOTE 3 NET PATIENT SERVICE REVENUE

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

Medicare

The Hospital has received certification as a Critical Access Hospital (CAH) and receives reimbursement for services provided to Medicare beneficiaries based on the cost of providing those services. Interim payment rates are established for inpatient and outpatient services, with settlement for over or under payments determined based on year-end cost reports. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been finalized by the Medicare intermediary through June 30, 2014.

Medicaid

The Hospital has received certification as a Critical Access Hospital (CAH) and receives reimbursement for services provided to Medicaid beneficiaries based on the cost of providing those services. Interim payment rates are established for inpatient and outpatient services, with settlement for over or under payments determined based on year-end cost reports. The Hospital's Medicaid cost reports have been finalized by the Medicaid intermediary through June 30, 2012.

Other

The Hospital has also entered into payment agreements with Blue Cross and other commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 3 NET PATIENT SERVICE REVENUE (CONTINUED)

Other (Continued)

Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

A summary of patient service revenues and contractual adjustments is as follows:

	<u>2015</u>	<u>2014</u>
Total Patient Service Revenues	\$ 47,246,957	\$ 43,413,470
Contractual Adjustments:		
Medicare	11,946,720	11,924,044
Medicaid	3,639,880	2,437,751
Provision for Bad Debt	1,413,018	1,599,492
Other	6,473,732	5,557,087
Total Deductions	<u>23,473,350</u>	<u>21,518,374</u>
Net Patient Service Revenues	<u>\$ 23,773,607</u>	<u>\$ 21,895,096</u>

Electronic Health Record Incentive Program

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on the Hospital continuing to meet the escalating meaningful use criteria. For the first payment year, the Hospital must attest, subject to an audit, that it met the meaningful use criteria for a continuous 90-day period. For the subsequent payment year, the Hospital must demonstrate meaningful use for the entire year. The incentive payments are generally made over a four year period. For hospitals that do not start receiving meaningful use payments until federal fiscal year 2014 or 2015, the base payment amount will reduce in subsequent years by $\frac{1}{4}$, $\frac{1}{2}$, and $\frac{3}{4}$.

The Hospital demonstrated meaningful use to the 90-day period ended June 29, 2011. They also met year 2 and year 3 requirements of meaningful use resulting in a total amount of \$1,359,550 that was recognized as other operating revenue in the statements of operations as of June 30, 2015.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 4 ESTIMATED AMOUNTS DUE FROM AND DUE TO CONTRACTING AGENCIES

Ellsworth Municipal Hospital dba: Hansen Family Hospital has entered into reimbursement agreements with the Social Security Administration and Hospital Service, Inc. of Iowa for services rendered to Medicare, Medicaid and Wellmark patients. The reimbursements are based on the costs of caring for these patients as determined by cost findings prepared annually. However, reimbursements cannot exceed the charges for the patient service. Medicare and Medicaid allow any excess of cost over charges to be carried forward and recovered in the subsequent two years. Recovery is limited to the extent the cost finding for either year shows an excess of charges over costs.

Under the reimbursement agreements, interim payments at prevailing rates have been made to the Hospital during the year. The annual cost report indicated the agencies owed the Hospital approximately \$434,000 at June 30, 2015 and approximately \$151,000 at June 30, 2014.

NOTE 5 UNCONDITIONAL PROMISES TO GIVE

Hansen Family Hospital Foundation has received promises to give from corporations and individuals in the community. Certain promises to give are receivable over a period of time. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk free interest rate of 5.0%. Prior years rates were not computed.

The following is a summary of unconditional promises to give as of June 30, 2015 and 2014:

	2015	2014
Less than One Year	\$ 302,070	\$ 513,177
One to Five Years	246,285	1,258,827
	548,355	1,772,004
Less: Discount	(30,331)	(457,759)
Less: Allowance for Uncollectible Promises to Give	(51,802)	(297,400)
Unconditional Promises to Give, Net	\$ 466,222	\$ 1,016,845

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 6 PATIENT RECEIVABLES

Patient receivables reported as current assets by the Hospital at June 30, 2015 and 2014 consisted of the following:

	2015	2014
Receivable from Patients and Their Insurance Carriers	\$ 3,256,355	\$ 3,389,443
Receivable from Medicare	1,195,651	1,250,982
Receivable from Medicaid	184,735	221,213
Total Patient Receivables	4,636,741	4,861,638
Less: Allowance for Doubtful Accounts	(1,194,561)	(1,151,667)
Patient Receivables, Net	\$ 3,442,180	\$ 3,709,971

NOTE 7 FAIR VALUE MEASUREMENTS

The Foundation has determined the fair value of certain assets and liabilities recognized or disclosed at fair value in the financial statements in accordance with the provisions of FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. ASC 820 provides a framework for measuring fair value under U.S. generally accepted accounting principles.

ASC 820 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. The accounting standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted market 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 other than quoted prices included within Level 1 that are observable for the related asset or liability and are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data related to the asset or liability.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

The following assets and liabilities are measured at fair value on a recurring basis at June 30, 2015 and 2014:

	Quoted Prices in Active Markets (Level 1)	Other Inputs Observable (Level 2)	Unobservable Inputs (Level 3)
June 30, 2015			
Assets:			
Investments in Mutual Funds	\$ 48,206	\$ -	\$ -
Beneficial interest in Net Assets of Community Foundation	-	-	75,227
Total Assets	<u>\$ 48,206</u>	<u>\$ -</u>	<u>\$ 75,227</u>
June 30, 2014			
Assets:			
Investments in Mutual Funds	\$ 47,483	\$ -	\$ -
Beneficial interest in Net Assets of Community Foundation	-	-	48,746
Total Assets	<u>\$ 47,483</u>	<u>\$ -</u>	<u>\$ 48,746</u>

The amount of gains and losses related to fair value measurements using Level 3 inputs, including both realized and unrealized gains and losses. The amount of gains and losses related to fair value measurements using Level 3 inputs, including both realized and unrealized gains and losses, during the years ended June 30, 2015 and 2014 were classified as follows in the statement of activities and changes in net assets:

Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3)		
	2015	2014
Balance at July 1,	\$ 48,746	\$ 29,414
Total Gains or Losses (Realized/Unrealized)	(3,433)	(2,047)
Transfers to the Foundation	-	730
Excess of Revenues Over Expenses	29,914	20,649
Balance at June 30,	<u>\$ 75,227</u>	<u>\$ 48,746</u>

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 8 NONCURRENT CASH AND INVESTMENTS

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

The 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.

Deposits and investments consisted of the following for the Hospital and Foundation, respectively at June 30, 2015 and 2014:

	2015	2014
Checking and Savings Accounts	\$ 3,270,489	\$ 4,728,817
Certificates of Deposit	1,477,425	2,433,340
Federal Home Loan & Deposits	2,604,638	1,849,174
Interest Receivable	10,248	8,774
	<u>\$ 7,362,800</u>	<u>\$ 9,020,105</u>

Included in the following statement of net position captions:

Cash and Cash Equivalents	\$ 3,270,489	\$ 4,025,871
Noncurrent Cash and Investments	4,092,311	4,994,234
Total Deposits	<u>\$ 7,362,800</u>	<u>\$ 9,020,105</u>

	2015	2014
Cash	\$ 667,498	\$ 689,542
Certificates of Deposit	61,124	61,124
Mutual Funds	48,206	47,483
	<u>\$ 776,828</u>	<u>\$ 798,149</u>

Included in the following balance sheet captions:

Cash and Cash Equivalents	\$ 667,498	\$ 689,542
Investments	109,330	108,607
Total Deposits	<u>\$ 776,828</u>	<u>\$ 798,149</u>

**ELLSWORTH MUNICIPAL HOSPITAL
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NOTE 8 NONCURRENT CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2015 and 2014 accrued interest of \$10,248 and \$22,677, respectively, is included in Noncurrent Cash and Investments in the previous schedules.

For the years ended June 30, 2015 and 2014, investment returns are as follows:

	2015	2014
Interest and Dividend Income	\$ 65,837	\$ 60,902
Realized and Unrealized Gain (Loss) on Investments	5,178	(5,931)
Total	<u>\$ 71,015</u>	<u>\$ 54,971</u>

NOTE 9 CAPITAL ASSETS

Summaries of capital assets for the years ended June 30, 2015 and 2014 are as follows:

	Balance July 1, 2014	Additions	Retirements / Transfers	Balance June 30, 2015
CAPITAL ASSETS				
Land and Land Improvements	\$ 616,975	\$ 28,380	\$ (201,128)	\$ 444,227
Building	24,718,703	343,527	(164,607)	24,897,623
Fixed Equipment	2,779,476	-	-	2,779,476
Major Movable Equipment	8,129,513	185,531	(14,088)	8,300,956
Construction in Progress	52,907	1,441,484	(29,810)	1,464,581
Totals	36,297,574	<u>\$ 1,998,922</u>	<u>\$ (409,633)</u>	37,886,863
ACCUMULATED DEPRECIATION				
Land Improvements	416,782	\$ 2,956	\$ -	419,738
Building	952,541	1,522,628	(8,664)	2,466,505
Fixed Equipment	2,749,083	5,786	-	2,754,869
Major Movable Equipment	4,432,564	634,105	(43,899)	5,022,770
Totals	8,550,970	<u>\$ 2,165,475</u>	<u>\$ (52,563)</u>	10,663,882
CAPITAL ASSETS, NET	<u>\$ 27,746,604</u>			<u>\$ 27,222,981</u>

**ELLSWORTH MUNICIPAL HOSPITAL
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NOTES TO FINANCIAL STATEMENTS
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NOTE 9 CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2013	Additions	Retirements / Transfers	Balance June 30, 2014
CAPITAL ASSETS				
Land and Land Improvements	\$ 691,757	\$ -	\$ (74,782)	\$ 616,975
Building	5,079,058	-	19,639,645	24,718,703
Fixed Equipment	6,978,837	-	(4,199,361)	2,779,476
Major Movable Equipment	5,041,214	208,550	2,879,749	8,129,513
Construction in Progress	13,005,087	14,785,055	(27,737,235)	52,907
Totals	30,795,953	<u>\$ 14,993,605</u>	<u>\$ (9,491,984)</u>	36,297,574
ACCUMULATED DEPRECIATION				
Land Improvements	476,136	\$ 15,428	\$ (74,782)	416,782
Building	4,092,570	1,223,525	(4,363,554)	952,541
Fixed Equipment	6,014,860	933,584	(4,199,361)	2,749,083
Major Movable Equipment	4,046,926	385,638	-	4,432,564
Totals	14,630,492	<u>\$ 2,558,175</u>	<u>\$ (8,637,697)</u>	8,550,970
CAPITAL ASSETS, NET	<u>\$ 16,165,461</u>			<u>\$ 27,746,604</u>

Construction in Progress at year-end consists of costs related to the change in software to Cerner. This upgrade is internally financed and was implemented in fiscal 2015. Interest expense was capitalized in the amount of \$0 and \$632,783 during the years ended June 30, 2015 and 2014, respectively. Interest income from tax exempt bond funded construction funds was capitalized in the amount of \$0 and \$40,446 during the years ended June 30, 2015 and 2014, respectively.

NOTE 10 LONG-TERM DEBT

A schedule of changes in the Hospital's long-term debt for 2015 and 2014 is as follows:

	Balance June 30, 2014	Additions	Payments	Balance June 30, 2015	Amounts Due Within One Year
2012 Revenue Bonds	\$ 25,000,000	\$ -	\$ 1,100,000	\$ 23,900,000	\$ 1,130,000
Notes Payable:					
Ackley Bank	1,916	-	1,916	-	-
USDA Loan	3,487	-	3,487	-	-
Total Notes and Loans	25,005,403	-	1,105,403	23,900,000	1,130,000
Net Unamortized Premium on Bonds	311,157	-	15,558	295,599	-
Capital Lease Obligation	109,818	-	22,704	87,114	29,589
Total Long-Term Debt	<u>\$ 25,426,378</u>	<u>\$ -</u>	<u>\$ 1,143,665</u>	<u>\$ 24,282,713</u>	<u>\$ 1,159,589</u>

**ELLSWORTH MUNICIPAL HOSPITAL
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NOTES TO FINANCIAL STATEMENTS
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NOTE 10 LONG-TERM DEBT (CONTINUED)

	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014	Amounts Due Within One Year
2012 Revenue Bonds	\$ 25,000,000	\$ -	\$ -	\$ 25,000,000	\$ 1,100,000
Notes Payable:					
Iowa Falls State Bank	61,500	-	61,500	-	-
Ackley Bank	21,785	-	19,869	1,916	1,916
USDA Loan	44,286	-	40,799	3,487	3,487
Total Notes and Loans	25,127,571	-	122,168	25,005,403	1,105,403
Net Unamortized Premium on Bonds	311,157	-	-	311,157	-
Capital Lease Obligation	169,875	-	60,057	109,818	30,155
Total Long-Term Debt	<u>\$ 25,608,603</u>	<u>\$ -</u>	<u>\$ 182,225</u>	<u>\$ 25,426,378</u>	<u>\$ 1,135,558</u>

2012 Hospital Revenue Bonds Payable

Hospital Revenue Bonds, Series 2012 (Ellsworth Municipal Hospital Project) payable to Ackley State Bank and Green Belt Bank and Trust were issued October 1, 2012, in accordance with Chapter 384 of the Code of Iowa. The bond issuance advance refunded the 1998 Hospital Revenue bonds which was paid in full and is providing funds for the purchase of land and for the construction of a new hospital facility on the purchased land. Interest only payments are due through June of 2015. The Hospital has pledged future revenues, net of specified operating expenses, to repay the bonds. The Hospital is required to meet certain financial covenants related to the revenue bonds payable. The bonds are payable solely from revenue from the operations of the Hospital and are payable through 2032.

The 2012 Hospital Revenue Bonds consist of the following:

<u>Description</u>	<u>2015</u>	<u>2014</u>
Variable Rate (.550% - 2.80%) R-1 Bond, Due in bi-annual Installments, increasing year to year beginning 2015, including interest through fiscal year 2032	\$ 1,900,000	\$ 2,000,000
Variable Rate (2.50% - 3.25%) R-2 Bond, Due in bi-annual Installments, increasing year to year beginning 2015, including interest through fiscal year 2032	19,115,000	20,000,000
Fixed Rate (5.00%) R-3 Bond (Green Belt Bank & Trust), Due in bi-annual Installments, increasing year to year beginning 2015, including interest through fiscal year 2032	1,442,500	1,500,000
Fixed Rate (5.00%) R-4 Bond (Ackley State Bank), Due in bi-annual Installments, increasing year to year beginning 2015, including interest through fiscal year 2032	1,442,500	1,500,000
Total	<u>\$ 23,900,000</u>	<u>\$ 25,000,000</u>

**ELLSWORTH MUNICIPAL HOSPITAL
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NOTE 10 LONG-TERM DEBT (CONTINUED)

2012 Hospital Revenue Bonds Payable (Continued)

The bond resolution of the Series 2012 bonds requires the establishment of the following Bond Funds on a continuing basis:

Debt Service Reserve Fund – into which the Hospital was initially required to deposit an amount equal to the sum of \$1,861,515.

Interest Fund – into which the Hospital is to deposit funds to pay interest on the revenue bonds and is to be maintained throughout the life of the bond.

Sinking Fund – into which the Hospital is to deposit funds to pay interest and principal on the revenue bonds and is to be maintained throughout the life of the bond.

Notes Payable

Hospital Note Payable from the Iowa Falls State Bank was issued April 26, 2010 with monthly payments of principal and interest of \$2,800 through April 2015 with an interest rate of 5.15%. The note was paid off during fiscal year 2014.

Hospital Note Payable from Ackley State Bank was issued November 30, 2010 with monthly payments of principal and interest of \$3,361 through December 2013. An interest rate of 5.05% remains charged on the note. This note was paid off during fiscal year 2015.

USDA Loan

A USDA letter of credit was entered into June 27, 2008 and requires monthly payments of principal and interest of \$8,218 through December 2013. An interest rate of 2.49% is charged on the loan. This note was paid off during fiscal year 2015.

Obligations Under Capital Lease

The Hospital, through the City of Iowa Falls, leases certain equipment under a capital lease arrangement. The lease has a term of five years with an effective interest rate of 5.18%, and requires monthly payments of \$6,716. This lease was paid off during fiscal 2015.

The Hospital entered into a lease for ultrasound equipment in 2013. The lease term of five years, with an effective interest rate of 5.15% and requires monthly payments of \$2,750.

The total cost of the leased equipment under the capital lease obligation at June 30, 2015 and 2014 of \$145,818 and \$354,948, respectively. Amortization of the equipment was \$22,704 and \$60,057, and accumulated amortization was \$58,704 and \$202,488 for the years ended June 30, 2015 and 2014, respectively.

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NOTE 10 LONG-TERM DEBT (CONTINUED)

Obligations Under Capital Lease (Continued)

The aggregate future principal and interest payment requirements for the next five years for long-term debt and Capital leases are as follows:

<u>Year Ending June 30,</u>	<u>Long-Term Debt</u>		<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,130,000	\$ 719,514	\$ 29,589	\$ 3,411
2017	1,160,000	686,006	31,150	1,850
2018	1,190,000	654,730	26,375	326
2019	1,220,000	622,293	-	-
2020	1,255,000	588,976	-	-
2021-2025	6,675,000	2,104,866	-	-
2026-2030	7,755,000	1,037,173	-	-
2031-2032	3,515,000	98,083	-	-
Total	<u>\$ 23,900,000</u>	<u>\$ 6,511,641</u>	<u>\$ 87,114</u>	<u>\$ 5,587</u>

Operating Leases - Equipment

The Hospital, through the City of Iowa Falls, leases certain equipment under operating lease arrangement. Future operating lease obligations relating to equipment through 2018 are below.

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2016	\$ 170,472
2017	140,156
2018	137,400
	<u>\$ 448,028</u>

Operating Leases - Rental Agreements

The Hospital has entered into a rental agreement effective March 2009 and ending March 2024. The rental agreement is for the clinic building in Ackley, and includes a requirement to pay annual property taxes. The following schedule represents the commitment for future rent payments:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 139,394
2017	139,394
2018	139,394
2019	139,394
2020	139,394
2021 - 2024	557,576
Total Rent Payments	<u>\$ 1,254,546</u>

**ELLSWORTH MUNICIPAL HOSPITAL
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JUNE 30, 2015 AND 2014**

NOTE 10 LONG-TERM DEBT (CONTINUED)

Operating Leases - Rental Agreements (Continued)

Total lease expense for the years ended June 30, 2015 and 2014, for all operating leases; including both equipment and clinic building rental was \$432,328 and \$373,124, respectively.

NOTE 11 PENSION AND RETIREMENT BENEFITS

The Hospital contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

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

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is 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 benefits includes:

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

If a member retires before the 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 serviced earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is .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 .50 percent for each month that the member receives benefits before age 65.

**ELLSWORTH MUNICIPAL HOSPITAL
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NOTES TO FINANCIAL STATEMENTS
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NOTE 11 PENSION AND RETIREMENT BENEFITS (CONTINUED)

Pension Benefits (Continued)

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 the 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 the 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 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% of pay and the Hospital contributed 8.93% for a total rate of 14.88%.

The Hospital's contributions to IPERS for the year ended June 30, 2015 and 2014 were approximately \$944,000 and \$879,000, respectively.

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

At June 30, 2015, the Hospital reported a liability of \$6,216,100 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. At June 30, 2014 the Hospital's collective proportionate was .153595 percent which was an increase of .010044 percent from its proportion measured as of June 30, 2013.

**ELLSWORTH MUNICIPAL HOSPITAL
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NOTE 11 PENSION AND RETIREMENT BENEFITS (CONTINUED)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

For the year ended June 30, 2015, the Hospital recognized pension expense of \$572,775. At June 30 2015, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 983,447	\$ -
Changes of Assumptions	274,332	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	3,286,500
Changes in Proportion and Differences Between Hospital Contributions and Proportionate Share of Contributions	460,153	-
Hospital Contributions Subsequent to the Measurement Date	<u>944,433</u>	<u>-</u>
	<u>\$ 2,662,365</u>	<u>\$ 3,286,500</u>

\$944,433 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:

<u>Years Ending June 30,</u>	
2016	\$ (405,270)
2017	(405,270)
2018	(405,270)
2019	(405,270)
2020	52,470
Total	<u>\$ (1,568,610)</u>

There were no non-employer contributing entities at IPERS.

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NOTE 11 PENSION AND RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2015 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 annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compound annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experiences 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	1	(0.69)
Total	<u>100%</u>	

**ELLSWORTH MUNICIPAL HOSPITAL
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NOTES TO FINANCIAL STATEMENTS
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NOTE 11 PENSION AND RETIREMENT BENEFITS (CONTINUED)

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.

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.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Hospital's Proportionate Share of the Net Pension Liability	\$ 11,745,191	\$ 6,216,100	\$ 1,549,018

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2015, the Hospital reported payables to the defined benefit pension plan of \$25,208 for legally required employer contributions and \$25,208 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**ELLSWORTH MUNICIPAL HOSPITAL
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NOTE 12 INVESTMENTS IN AFFILIATED ORGANIZATIONS

The Hospital has investments in two organizations, both of which are accounted for on the equity method. The following is a summary of these investments:

Iowa Falls Clinic

The Hospital is in a joint venture agreement with Mercy Medical Center – North Iowa to operate the Iowa Falls Clinic (the Clinic). The Clinic provides, develops, and coordinates all manner of clinical medical services to residents, visitors, and employees of Hardin County and the surrounding area.

The Hospital is a 50% owner of this Clinic and shares income or losses from clinic operations. The Hospital's share of income, \$252,462 in 2015 and \$300,405 in 2014, have been included in nonoperating revenues. The Hospital received an equity distribution of \$0 in the years ended June 30, 2015 and 2014, respectively.

The Hospital provides space and contracted services for the daily operations of the Clinic. Rent revenue and contracted services for the years ended June 30, 2015 and 2014 was \$1,300,314 and \$1,254,798, respectively. As of June 30, 2015 and 2014, the Hospital's records reflected a receivable from the Iowa Falls Clinic of \$486,767 and \$219,157 for these services.

Summarized financial information from the financial statements of Iowa Falls Clinic as of and for the years ended June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Assets	<u>\$ 3,893,467</u>	<u>\$ 3,204,760</u>
Current Liabilities	\$ 645,245	\$ 466,827
Unrestricted Net Assets	<u>3,248,222</u>	<u>2,737,933</u>
Total Liabilities and Net Assets	<u>\$ 3,893,467</u>	<u>\$ 3,204,760</u>
Net Revenues	<u>\$ 4,171,523</u>	<u>\$ 3,807,650</u>
Net Gain	<u>\$ 510,289</u>	<u>\$ 586,553</u>

Greenbelt Home Care

The Hospital has a 30% interest in a joint venture of Greenbelt Home Care and shares any income or loss in this percentage. The Hospital has contributed \$106,890 of capital to this joint venture, loaned \$3,507 and forgave a loan in the amount of \$27,143. The Hospital's share of the joint ventures gains (losses) are (\$29,292) in 2015 and \$117,992 in 2014, respectively and have been included in nonoperating revenues.

**ELLSWORTH MUNICIPAL HOSPITAL
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NOTE 13 TEMPORARILY AND PERMANENTLY RESTRICTED FOUNDATION NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014, represent funds that are restricted by donors for the following purposes:

	2015	2014
Construction of a New Hospital Facility	\$ 750,123	\$ 1,592,529

Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2015 and 2014, represents contributions received by a third party for the benefit of Ellsworth Municipal Hospital dba: Hansen Family Hospital, which are permanently restricted as:

	2015	2014
Beneficial Interest in Net Assets of Community Foundation	\$ 75,227	\$ 48,746

The Community Foundation Endowment consists of donor-restricted funds designated for the Foundation. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 14 RELATED ORGANIZATION

Master Affiliation Agreement

The Hospital has a Master Affiliation Agreement with Mercy Medical Center – North Iowa (MMC-NI) to provide hospital, physician, and other health care services in Iowa Falls and the North Central Iowa Region. As a part of this Master Affiliation Agreement, the Hospital entered into a Professional Service Agreement with MMC-NI whereby MMC-NI provides professional medical services for the Hospital. Amounts paid to MMC-NI for the provision of these services amounted to \$326,312 and \$329,471 for the years ended June 30, 2015 and 2014, respectively.

The Hospital has a contractual arrangement with MMC-NI, under which MMC-NI provides an administrator, director of nursing, management consultation, and other services to Ellsworth Municipal Hospital dba: Hansen Family Hospital. The arrangement does not alter the authority or responsibility of the Board of Trustees of Ellsworth Municipal Hospital dba: Hansen Family Hospital. Expenses for the administrative and management services received were \$349,047 and \$380,307 for the years ended June 30, 2015 and 2014, respectively.

Due to MMC-NI

As of June 30, 2015 and 2014, the Hospital records reflect a balance due to MMC-NI of \$476,504 and \$158,543, respectively, which is recorded for the various services related to these agreements.

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NOTE 14 RELATED ORGANIZATION (CONTINUED)

Hansen Family Hospital Foundation

The Foundation was organized under the provisions of the Internal Revenue Code Section 501(c)(3). The Foundation is organized and operated exclusively to benefit Ellsworth Municipal Hospital dba: Hansen Family Hospital. As of June 30, 2015 and 2014 the Foundation had a payable to the Hospital in the amount of \$289,908 and \$370,678, respectively, which is recorded with other receivables on the statement of net position of the Hospital. The Foundation made contributions to the Hospital during the years ended June 30, 2015 and 2014 of \$648,486 and \$881,548, respectively.

NOTE 15 COMMITMENTS AND CONTINGENCIES

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 commercial insurance purchased from independent third parties. There has been no significant reduction in insurance coverage from the previous year in any of the Hospital's policies. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Malpractice Insurance

The Hospital has insurance coverage to provide protection for professional liability losses on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently will be uninsured.

Self-Funded Employee Health Insurance Plan

Starting in January of 2013, the Hospital elected to self-insure their employee health insurance program. The Hospital has entered into an agreement with an insurance company to provide stop-loss insurance to limit the losses on individual claims and to provide claims processing and other administrative duties. Claims are accrued as incurred. The amounts charged to expense include administrative fees, stop-loss insurance premiums, claims paid, and accruals for claims incurred but not paid at the end of the year.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 16 PRIOR PERIOD ADJUSTMENT

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

	Net Position
Net Position June 30, 2014 as Previously Reported	\$ 14,610,487
Net Pension Liability	(8,127,849)
Deferred Outflows of Resources Related to Contributions Made During Year Ended June 30, 2014	915,890
Net Position July 1, 2014, as Restated	\$ 7,398,528

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REQUIRED SUPPLEMENTARY INFORMATION

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**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2015**

NOTE 1 BUDGETARY COMPARISON

The following is a comparison of reported amounts to the accrual basis budget for the year ended June 30, 2015 (Hospital only, excluding Foundation):

	Total per Hospital Statements	Budget	Amount Over Budget
Expenses	<u>\$ 24,413,623</u>	<u>\$ 24,324,911</u>	<u>\$ 88,712</u>

This budgetary comparison is presented as Required Supplementary Information in accordance with *Government Auditing Standards*. In accordance with the Code of Iowa, the board of trustees annually adopts a budget which is filed with the City Clerk of Iowa Falls to be included in the official city budget. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. For the year ended June 30, 2015, the Hospital's expenditures exceeded the amount budgeted.

**ELLSWORTH MUNICIPAL HOSPITAL
 DBA: HANSEN FAMILY HOSPITAL
 SCHEDULE OF THE HOSPITAL'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
 YEAR ENDED JUNE 30, 2015**

	2015
Hospital's Proportion of the Net Pension Liability	0.1535950%
Hospital's Proportionate Share of the Net Pension Liability	\$ 6,216,100
Hospital's Covered-Employee Payroll	\$ 10,354,906
Hospital's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	60.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	154.49%

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
SCHEDULE OF THE HOSPITAL'S CONTRIBUTIONS
YEAR ENDED JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily Required Contribution	\$ 944,433	\$ 915,890	\$ 804,955
Contributions in Relation to the Statutorily Required Contribution	<u>944,433</u>	<u>915,890</u>	<u>804,955</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital Covered-Employee Payroll	\$ 10,354,906	\$ 10,440,169	\$ 9,479,792
Contributions as a Percentage of Covered-Employee Payroll	9.12%	8.77%	8.49%

Note: GASB 68 requires ten years of information to be presented in this table. However, until a full ten year is compiled, the Hospital will present information for those years for which information is available.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
NOTES TO SUPPLEMENTAL PENSION LIABILITY INFORMATION
YEAR ENDED JUNE 30, 2015**

NOTE 2 PENSION LIABILITY

Changes of benefit terms

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

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

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.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
NOTES TO SUPPLEMENTAL PENSION LIABILITY INFORMATION
YEAR ENDED JUNE 30, 2015**

NOTE 2 PENSION LIABILITY (CONTINUED)

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

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

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OTHER SUPPLEMENTARY INFORMATION

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
SCHEDULES OF PATIENT SERVICE REVENUES
YEARS ENDED JUNE 30, 2015 AND 2014**

	Total	
	<u>2015</u>	<u>2014</u>
PATIENT CARE SERVICES		
Medical and Surgical	\$ 2,794,972	\$ 2,764,376
InnCare	32,870	7,648
Swing Bed	944,428	1,053,333
Nursery	140,348	121,344
Total	<u>3,912,618</u>	<u>3,946,701</u>
OTHER PROFESSIONAL SERVICES		
Operating Room	2,707,791	2,559,994
Recovery Room	86,580	79,671
Labor and Delivery Room	217,042	144,408
Anesthesiology	1,111,048	1,039,255
Radiology	8,547,631	7,836,587
Laboratory	9,329,093	8,399,977
Respiratory Therapy	844,763	933,458
Intravenous Therapy	299,594	118,735
Cardiac Rehabilitation	252,348	209,422
Physical Therapy	1,135,291	1,064,117
Occupational Therapy	340,468	394,773
Speech Therapy	163,389	144,717
Electrocardiology	730,271	667,410
Medical and Surgical Supplies	1,218,792	1,461,454
Pharmacy	4,374,883	4,004,880
Emergency Room	5,861,732	4,750,479
Surgical Clinic	520,824	782,764
Psychiatrist	205,282	175,808
Clinic	3,985,373	3,787,736
Pain Clinic	798,631	842,823
Women Health Clinic	435,706	83,322
Psychiatric Counseling	280,085	380,737
Diabetic Education	37,426	35,855
Total	<u>43,484,043</u>	<u>39,898,382</u>
Charity Care	<u>(149,704)</u>	<u>(431,613)</u>
Total Patient Service Revenues	47,246,957	43,413,470
Adjustments to Patient Services Revenues	<u>(23,473,350)</u>	<u>(21,518,374)</u>
Net Patient Service Revenues	<u><u>\$ 23,773,607</u></u>	<u><u>\$ 21,895,096</u></u>

Inpatient		Outpatient	
2015	2014	2015	2014
\$ 1,582,096	\$ 1,409,702	\$ 1,212,876	\$ 1,354,674
32,870	7,648	-	-
944,428	1,053,333	-	-
140,348	121,344	-	-
<u>2,699,742</u>	<u>2,592,027</u>	<u>1,212,876</u>	<u>1,354,674</u>
263,515	239,805	2,444,276	2,320,189
14,442	12,701	72,138	66,970
212,324	141,836	4,718	2,572
176,574	173,089	934,474	866,166
441,086	488,904	8,106,545	7,347,683
873,795	778,350	8,455,298	7,621,627
119,880	238,023	724,883	695,435
-	-	299,594	118,735
-	-	252,348	209,422
101,306	306,265	1,033,985	757,852
223,779	267,812	116,689	126,961
39,410	24,349	123,979	120,368
61,475	48,613	668,796	618,797
113,405	160,737	1,105,387	1,300,717
1,129,723	1,056,124	3,245,160	2,948,756
74,350	61,179	5,787,382	4,689,300
-	-	520,824	782,764
-	-	205,282	175,808
-	-	3,985,373	3,787,736
-	-	798,631	842,823
-	-	435,706	83,322
-	-	280,085	380,737
522	-	36,904	35,855
<u>3,845,586</u>	<u>3,997,787</u>	<u>39,638,457</u>	<u>35,900,595</u>
<u>\$ 6,545,328</u>	<u>\$ 6,589,814</u>	<u>\$ 40,851,333</u>	<u>\$ 37,255,269</u>

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
SCHEDULES OF ADJUSTMENTS TO PATIENT SERVICE REVENUES
AND OTHER REVENUES
YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ADJUSTMENTS TO PATIENT SERVICE REVENUES		
Contractual Adjustments - Medicare	\$ 11,946,720	\$ 11,924,044
Contractual Adjustments - Medicaid	3,639,880	2,437,751
Provision for Bad Debt	1,413,018	1,599,492
Other Allowances and Adjustments	<u>6,473,732</u>	<u>5,557,087</u>
 Total Adjustments	 <u><u>\$ 23,473,350</u></u>	 <u><u>\$ 21,518,374</u></u>
OTHER REVENUES		
Guest Meals	\$ 106,926	\$ 82,409
Transition Grant/Telemedicine Grant	66,622	1,180
Medical Record Transcripts	1,154	2,059
Vending Machines	2,197	1,354
Purchase Discounts and Rebates	38,833	84,080
Miscellaneous Pharmacy Sales	7,753	15,716
Laundry	-	235
Health Program	25,279	62,413
Physical Therapy Service	(1,479)	13,065
Clinic Fees	52,092	49,510
Rent Income	128,915	128,915
Lab Fees	-	24,899
Management Fees	186,835	44,006
EHR Meaningful Use Incentive Payments	1,359,550	-
Other	<u>119,781</u>	<u>101,321</u>
 Total Other Revenues	 <u><u>\$ 2,094,458</u></u>	 <u><u>\$ 611,162</u></u>

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014**

	Total	
	2015	2014
Employee Benefits	\$ 2,739,183	\$ 2,897,285
Administrative and General	3,034,860	2,646,337
Central Supply	124,749	25,855
Operation of Plant	540,495	607,417
Laundry and Linen	56,707	71,091
Housekeeping	175,595	202,345
Nursing Administration	126,134	153,498
Dietary	423,883	392,301
Medical Records	392,499	420,165
Adults and Pediatrics	1,888,607	2,099,825
Nursery	60,340	68,623
Operating and Recovery Room	811,822	854,512
Labor and Delivery Room	85,490	91,095
Anesthesiology	25,676	45,127
Nonphysician Anesthetists	361,585	364,285
Radiology	1,263,717	1,423,001
Laboratory	1,170,630	1,220,610
Respiratory Therapy	166,996	199,920
Physical Therapy	442,654	372,465
Occupational Therapy	119,373	123,509
IV Therapy	62,810	66,136
Speech Pathology	72,583	79,664
Electrocardiology	40,393	60,707
Medical and Surgical Supplies	240,618	327,979
Pharmacy and Intravenous Therapy	969,937	990,116
Cardiac Rehabilitation	82,689	72,204
Clinics	2,016,571	2,411,193
Marketing and Community Health Promotions	340,201	438,874
Diabetic Education	26,454	36,972
Outreach Clinic	48,034	59,114
Surgical Clinic	515,614	490,734
Women Health Clinic	377,311	148,108
Pain Clinic	284,450	408,960
Psychiatric Counseling	395,306	116,234
Emergency	1,978,714	1,634,419
Enterostomal Therapy	46,270	84,780
Depreciation and Amortization Expense	2,141,252	2,558,175
Interest Expense	763,421	116,037
Total Expenses	\$ 24,413,623	\$ 24,379,672

Salaries		Other	
2015	2014	2015	2014
\$ -	\$ -	\$ 2,739,183	\$ 2,897,285
1,187,650	1,067,240	1,847,210	1,579,097
106,616	1,765	18,133	24,090
134,737	146,972	405,758	460,445
(85)	12,980	56,792	58,111
153,016	165,017	22,579	37,328
62,441	148,361	63,693	5,137
208,365	195,328	215,518	196,973
333,267	320,724	59,232	99,441
1,685,321	1,815,696	203,286	284,129
56,620	64,264	3,720	4,359
391,638	416,794	420,184	437,718
80,172	56,930	5,318	34,165
-	-	25,676	45,127
361,410	342,002	175	22,283
410,950	451,814	852,767	971,187
451,451	587,740	719,179	632,870
67,384	118,853	99,612	81,067
422,418	350,724	20,236	21,741
111,284	117,971	8,089	5,538
59,965	64,886	2,845	1,250
68,953	74,892	3,630	4,772
11,852	14,658	28,541	46,049
-	-	240,618	327,979
221,706	230,440	748,231	759,676
76,029	65,890	6,660	6,314
1,112,533	1,478,309	904,038	932,884
141,145	216,962	199,056	221,912
23,721	35,609	2,733	1,363
38,557	49,413	9,477	9,701
408,802	437,395	106,812	53,339
326,926	136,572	50,385	11,536
-	-	284,450	408,960
368,506	109,195	26,800	7,039
1,225,965	1,070,543	752,749	563,876
45,591	74,230	679	10,550
-	-	2,141,252	2,558,175
-	-	763,421	116,037
<u>\$ 10,354,906</u>	<u>\$ 10,440,169</u>	<u>\$ 14,058,717</u>	<u>\$ 13,939,503</u>

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
SCHEDULES OF AGE ANALYSIS OF ACCOUNTS RECEIVABLE FROM PATIENTS
AND ALLOWANCE FOR DOUBTFUL ACCOUNTS
YEARS ENDED JUNE 30, 2015 AND 2014**

Analysis of Aging

Age of Accounts (by Date of Discharge)	2015		2014	
	Amount	Percent	Amount	Percent
1-30 Days (Includes Patients in Hospital June 30)	\$ 3,654,381	52.70 %	\$ 3,774,129	51.78 %
31-60 Days	887,857	12.81	1,253,908	17.21
61-90 Days	421,979	6.09	459,447	6.31
91 Days and Over	1,968,762	28.40	1,799,389	24.70
Total Accounts Receivable	<u>6,932,979</u>	<u>100.00 %</u>	<u>7,286,873</u>	<u>100.00 %</u>

ALLOWANCES

Contractual -				
Medicare	1,086,718		1,169,269	
Medicaid	343,863		381,612	
Commercial	865,657		874,354	
Doubtful Accounts	1,194,561		1,151,667	
Net Accounts Receivable	<u>\$ 3,442,180</u>		<u>\$ 3,709,971</u>	

Net Patient Service Revenue per Calendar Day	<u>\$ 65,133</u>	<u>\$ 59,987</u>
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Days of Net Patient Service Revenue in Accounts Receivable at Year-End	<u>53</u>	<u>62</u>
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Analysis of Allowance for Doubtful Accounts

	2015		2014	
	Amount	Percent of Net Patient Service Revenue	Amount	Percent of Net Patient Service Revenue
Beginning Balance	\$ 1,151,667		\$ 895,782	
Add:				
Provision for Doubtful Accounts	1,413,018	6.45 %	1,599,492	7.31 %
Recoveries Previously Written Off	160,677	0.73	198,204	0.91
	<u>2,725,362</u>		<u>2,693,478</u>	
Deduct:				
Accounts Written Off	<u>(1,530,801)</u>	(6.99)	<u>(1,541,811)</u>	(7.04)
Ending Balance	<u>\$ 1,194,561</u>		<u>\$ 1,151,667</u>	

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
SCHEDULES OF INVENTORIES AND PREPAID EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
INVENTORIES		
Central Stores	\$ 26,435	\$ 44,202
Pharmacy	368,010	289,726
Dietary	15,110	10,604
Operating Room and Central Sterile Supply	125,798	132,854
Laboratory	<u>13,599</u>	<u>12,479</u>
 Total Inventories	 <u>\$ 548,952</u>	 <u>\$ 489,865</u>
 PREPAID EXPENSES		
Insurance	\$ 32,051	\$ 32,149
Service Contracts	31,120	33,336
Dues	<u>8,793</u>	<u>9,717</u>
 Total Prepaid Expenses	 <u>\$ 71,964</u>	 <u>\$ 75,202</u>

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
SCHEDULE OF BOND INVESTMENT TRANSACTIONS
YEARS ENDED JUNE 30, 2015 AND 2014**

	Balance July 1, 2014	Additions	(Retirements)	Balance June 30, 2015
Debt Service Reserve Fund				
2012 Hospital Revenue Bonds	\$ 1,864,917	\$ 1,660,743	\$ (1,647,040)	\$ 1,878,620
Interest Fund				
2012 Hospital Revenue Bonds	13,902	951,037	(761,340)	203,599
Project Fund				
2012 Hospital Revenue Bonds	534,879	527,227	(1,062,106)	-
Sinking Fund				
2012 Hospital Revenue Bonds	137,884	1,366,386	(1,157,993)	346,277
Totals	<u>\$ 2,551,582</u>	<u>\$ 4,505,393</u>	<u>\$ (4,628,479)</u>	<u>\$ 2,428,496</u>

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
SCHEDULE OF FINANCIAL RATIOS
YEAR ENDED JUNE 30, 2015**

UNRESTRICTED DAYS CASH ON HAND

	2015
Cash and Cash Equivalents	\$ 3,270,489
Internally Designated for Capital Acquisitions	344,250
Internally Designated for Health Benefits	141,975
Total Unrestricted Cash and Investments (a)	\$ 3,756,714
Operating Expenses	\$ 24,413,623
Less:	
Depreciation and Amortization	(2,141,252)
Total (b)	\$ 22,272,371
Unrestricted Days Cash On Hand: =Total (a) / Total (b) X 365	62

DEBT SERVICE COVERAGE RATIO

	2015
Excess of Revenues Over Expenses	\$ 1,768,304
Add:	
Interest Expense	763,421
Depreciation and Amortization	2,141,252
Total (a)	\$ 4,672,977
Interest Expense	\$ 763,421
Principal Payments	1,128,107
Total (b)	\$ 1,891,528
Debt Service Coverage Ratio: = Total (a) / Total (b)	2.47



**INDEPENDENT AUDITORS' 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
Ellsworth Municipal Hospital dba: Hansen Family Hospital
Iowa Falls, Iowa

We have audited the financial statements of Ellsworth Municipal Hospital dba: Hansen Family Hospital, and its discretely presented component unit, Hansen Family Hospital Foundation, as of and for the year ended June 30, 2015, and have issued our report thereon dated December 10, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses listed as 2015-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses listed as 2015-002 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Hospital'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. 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.

Responses to Findings

Ellsworth Municipal Hospital's dba: Hansen Family Hospital responses to findings identified in our audit are described in the accompanying schedule of findings and responses. While we have expressed our conclusions on the Ellsworth Municipal Hospital's dba: Hansen Family Hospital responses, we did not audit the Hospital's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



CliftonLarsonAllen LLP

Austin, Minnesota
December 10, 2015

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015**

Part I: Findings Related to Financial Statements:

Material Weakness:

2015-001 Preparation of Financial Statements

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

Condition: Ellsworth Municipal Hospital dba: Hansen Family Hospital does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statements of cash flows, as required by GAAP. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Cause: We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with GAAP can be considered costly and ineffective.

Effect: The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Hospital. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting. It is the responsibility of the Hospital's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation: We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally.

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

Conclusion: Response accepted.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015**

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

Significant Deficiency:

2015-002 Segregation of Duties

Criteria: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Condition: Certain employees perform duties that are incompatible.

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

Effect: Limited segregation of duties could result in misstatements that may not be prevented or detected on a timely basis in the normal course of operations.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. We also recognize that in some instances it may not be cost effective to employ additional personnel for the purpose of segregating duties. However, Ellsworth Municipal Hospital dba: Hansen Family Hospital should continually review its internal control procedures, other compensating controls and monitoring procedures to obtain the maximum internal control possible under the circumstances. Management involvement through the review of reconciliation procedures can be an effective control to ensure these procedures are being accurately completed on a timely basis. Furthermore, the Hospital should periodically evaluate its procedures to identify potential areas where the benefits of further segregation of duties or addition of other compensating controls and monitoring procedures exceed the related costs.

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

Conclusion: Response accepted.

**ELLSWORTH MUNICIPAL HOSPITAL
DBA: HANSEN FAMILY HOSPITAL
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2015**

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Official Depository Banks
A resolution of official depository banks has been approved by the governing board.
- II-B-15 Certified Budget
Hospital expenditures during the year ended June 30, 2015 exceeded the budgeted amount in the business type activities due to additional expenditures for the installation of a new information system. Chapter 384.20 of the code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."
Recommendation: the budget should be amended in accordance with Chapter 384.18 of the code of Iowa before disbursements were allowed to exceed the budget.
Response: We will amend in the future, if applicable.
Conclusion: Response accepted.
- II-D-15 Travel Expense
No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.
- II-E-15 Business Transactions
No business transactions between the Hospital and Hospital officials and/or employees were noted.
- II-F-15 Board Minutes
Board minutes were examined and appeared to give an accurate account of business transacted by the board.
- II-G-15 Deposits and Investments
We reviewed the Hospital's investment procedures and noted all investments to be in compliance with the state statutes regarding investments. We noted the Hospital does not have a current investment policy in accordance with:
Recommendation: Pass an annual resolution naming the official depositories of the Hospital.
Response: We will pass an annual resolution naming the official depositories of the Hospital.
Conclusion: Response accepted.



CliftonLarsonAllen

INDEPENDENT AUDITORS' REPORT ON DEBT AGREEMENT COVENANTS

Board of Trustees
Ellsworth Municipal Hospital dba: Hansen Family Hospital
Iowa Falls, Iowa

We have audited, in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ellsworth Municipal Hospital dba: Hansen Family Hospital as of June 30, 2015, and have issued our report thereon dated December 10, 2015.

In connection with our audit, nothing came to our attention that caused us to believe that the Hospital was not in compliance with any of the terms, covenants, provisions, or conditions of Section Six "Rates" and "Liquidity Covenant" of the Indenture of Trust dated October 1, 2012, relating to the issue of Hospital Revenue Bonds with Ackley State Bank and Green Belt Bank and Trust, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Hospital's noncompliance with the above referenced terms, covenants, provisions, or conditions of the Indenture, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the board of trustees, management of Ellsworth Municipal Hospital dba: Hansen Family Hospital, and the City of Iowa Falls, Iowa and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Austin, Minnesota
December 10, 2015

