

**Crawford County Memorial Hospital
Denison, Iowa**

FINANCIAL REPORT

June 30, 2017

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**Crawford County Memorial Hospital
OFFICIALS
June 30, 2017**

BOARD OF TRUSTEES

Expiration of term

Officers

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December 31, 2022
December 31, 2020
December 31, 2020

Members

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December 31, 2020
December 31, 2018
December 31, 2018
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Crawford County Memorial Hospital
Denison, Iowa

We have audited the accompanying financial statements of Crawford County Memorial Hospital, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crawford County Memorial Hospital, as of June 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Hospital's proportionate share of the net pension liability, and the schedule of Hospital pension contributions on page 6-13 and 33-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 13, 2017

Crawford County Memorial Hospital MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Crawford County Memorial Hospital, we offer readers of the financial statements this narrative overview and analysis of the Hospital's financial performance during the fiscal years ended June 30, 2017 and 2016. Please read it in conjunction with the Hospital's financial statements, which follow this section.

Overview of the Financial Statements

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

Financial Highlights

- Total assets decreased by \$2,167,326 to \$44,518,108
- Total assets whose use is limited decreased by \$125,506 to \$7,523,000
- Total capital assets decreased by \$2,661,448 to \$23,095,169
- Total net position decreased by \$1,546,731 to \$7,122,451
- Total long-term debt, including current maturities, decreased by \$952,283 to \$24,852,175
- Net patient service revenue increased by \$961,064, or 3%, to \$32,157,456
- Operating expenses increased by \$3,645,695, or 12%, to \$35,328,225

Operating and Financial Performance

This section is intended as a written supplement to the financial information presented in the management's discussion and analysis for the fiscal years ended June 30, 2017 and 2016. While management believes the strategic discussion below fairly represents the capability of the Hospital, it should be noted that potential internal and external factors unknown at this time could impact the projections with both positive and negative trends.

History

During the fiscal year ending June 30, 2017 the Hospital made progress and continued its efforts to develop a sustainable healthcare delivery network composed of high-quality providers with services supported by local market demand. Although the net income results for the fiscal year ending June 30, 2017 were negative, it is also of note that the hospital continues to make progress towards service line investment profitability. Service line expansions, and additions, include Orthopedic Surgery, Pediatrics, Family Practice, and Emergency Medicine. All areas continue to show steady growth in local demand. Service line maturity is currently projected to be as follows for the prior period expansions:

- Obstetrics & Gynecology: July, 2019
- Orthopedic Surgery: July, 2020
- Pediatrics: July, 2019
- Family Medicine: July, 2020
- Emergency Medicine: December, 2018

From a cash flow standpoint, total cash balance on hand at year end exceeds pre-construction levels (prior to 2010). This was accomplished in spite of key challenges incurred with payment of Medicaid services.

Historically, Medicaid was managed by the Iowa Medicaid Enterprise (State of Iowa). However, substantially all Medicaid services were contracted through Medicaid Managed Care Organizations (MCOs), owned and operated by profit based insurance companies, effective April 1, 2016. Essentially, Medicaid owed CCMH a total cash receivable of more than \$1.1 Million. This amount owed is for Medicaid utilization from April 1, 2016 to June 30, 2017. The cash balance owed at June 30, 2017 represents about 50% of the required legal reimbursement entitled to CCMH for service rendered. Pursuant to administrative actions it is anticipated this balance will be received by December, 2017.

In consideration of the ongoing challenges with Medicaid accounts receivable collections, CCMH administration implemented cash preservation strategies including operating expense reductions, capital expenditure deferrals and fund development initiatives. This resulted in continued compliance with bond debt service coverage ratio requirements. In addition, executive staff initiated an ongoing program of monthly operational expenditure review to identify additional opportunities whereby cash can return to a positive fund contribution. This program is concurrently monitored by governance to assure balance between operational security and quality patient care delivery.

The key operational elements consuming cash for Fiscal Year Ending June 30, 2017 include:

• Outstanding Medicaid receivable	\$1,143,537
• Net Days in A/R increase (13 days)	\$1,127,724
• New Physician Practice Investment	\$ 406,103
• ER Transition Expense	<u>\$ 283,488</u>
Total	<u>\$2,960,852</u>

Fiscal Year Ending June 30, 2017 Strengths and Accomplishments

The key operational activities and events in the fiscal year ending June 30, 2017 include the following:

- Recruitment of a 2nd Full time Orthopedic Surgeon resulting in 24/7 services
- Recruitment of a Full time Pediatrician resulting in satisfaction of local demand for services.
- Recruitment of a 3rd Full time Family Practice Physician resulting in decreased temporary contract staff.
- Recruitment of a Full time ED Physician, with three to be added to achieve increased consistency, and lower cost for ED Physician 24/7 coverage.

Statistical highlights which reflect growth from service line investments include:

- Total hospital procedures increased 2.86%
- Clinic visits increased 11.57%
- Lab procedures increased 4.99%
- Admissions from the ER increased 7.01%

Fiscal Year Ending June 30, 2018 Planned Actions

Future operational activities include:

- Local Physician Service Expansion:
 - Recruitment efforts are expected to add 1-2 additional family care physician providers, along with the recruitment of 3 more full time ER Physicians to transition ER coverage from a temporary (locum) staffing model to a more consistent, employed physician care delivery model.
- Revenue Cycle Management:
 - The City Center Medical Clinic was designated as a Rural Health Clinic in December 2016, which is projected to increase Medicare and Medicaid reimbursement by approximately \$300,000 for fiscal year 2018.
 - To improve the cash flow from Medicaid claims, the executive staff initiated a payment process improvement request to the Iowa Medicaid Enterprise. This request was approved effective October 1, 2017. The result anticipated from this approval is timelier payments for CCMH Medicaid services.

- Industry Transition from Volume to Value Response: In spite of ongoing uncertainty from Federal/State payment and coverage initiatives the Hospital anticipates health care delivery will continue to transition from “Volume to Value”. As such, CCMH is focused on transition to value by:
 - Joining an accountable care organization (ACO) effective January 1, 2018.
 - Implementing ongoing physician directed standards of practice to assure patient safety, minimize cost and operate efficiently.
 - Supporting local initiatives to increase local awareness of services through community based information, education and health screening programs and services.

Potential Adverse Impacts

While the future adversities are unknown, it seems likely that three strategic areas will require continued focus to insure the Hospital remains flexible to adapt to the future state. The following changes may lead to adverse impact in future years.

- Population shifts in age, employment status and economic capability.
- Payment reforms that create a negative financial impact on rural healthcare delivery systems.
- Delivery reforms from public and private sector initiatives which have potential to both increase and decrease local delivery of service due to changes in regulations directing the delivery of care.

Summary

The management initiatives outlined in this document identify those programs, services and initiatives which appear at this writing to assure a future business model which achieves viability and growth of the Hospital. However, it is anticipated that these efforts will receive ongoing management and governance review to assure continued relevance to the needs of the community, regulatory compliance and integration with state and national healthcare trends.

Required Financial Statements

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

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

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

Financial Analysis of the Hospital

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

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

Table 1
Condensed Statements of Net Position

	June 30		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current assets	\$13,899,939	\$13,280,311	\$11,468,769
Assets whose use is limited	7,523,000	7,648,506	7,597,929
Capital assets	<u>23,095,169</u>	<u>25,756,617</u>	<u>27,906,865</u>
Total assets	<u>44,518,108</u>	<u>46,685,434</u>	<u>46,973,563</u>
Deferred outflows of resources	<u>3,655,218</u>	<u>2,274,497</u>	<u>2,490,343</u>
Total assets and deferred outflows of resources	<u>\$48,173,326</u>	<u>\$48,959,931</u>	<u>\$49,463,906</u>
Current liabilities	\$ 4,368,258	\$ 4,242,342	\$ 4,166,705
Noncurrent liabilities	<u>34,602,717</u>	<u>33,347,293</u>	<u>32,733,235</u>
Total liabilities	<u>38,970,975</u>	<u>37,589,635</u>	<u>36,899,940</u>
Deferred inflows of resources	<u>2,079,900</u>	<u>2,701,114</u>	<u>4,456,014</u>
Net investment in capital assets	(953,858)	751,377	2,330,497
Restricted	61,614	60,403	60,237
Unrestricted	<u>8,014,695</u>	<u>7,857,402</u>	<u>5,717,218</u>
Total net position	<u>7,122,451</u>	<u>8,669,182</u>	<u>8,107,952</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$48,173,326</u>	<u>\$48,959,931</u>	<u>\$49,463,906</u>

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

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

	Year ended June 30		
	2017	2016	2015
Net patient service revenue	\$32,157,456	\$31,196,392	\$28,175,569
Other revenue	<u>1,097,151</u>	<u>556,885</u>	<u>832,161</u>
Total revenue	<u>33,254,607</u>	<u>31,753,277</u>	<u>29,007,730</u>
Salaries	15,492,662	14,262,871	13,793,941
Supplies and expenses	16,899,144	14,229,465	13,626,781
Provision for depreciation	<u>2,936,419</u>	<u>3,190,194</u>	<u>3,315,036</u>
Total operating expenses	<u>35,328,225</u>	<u>31,682,530</u>	<u>30,735,758</u>
Operating income (loss)	<u>(2,073,618)</u>	<u>70,747</u>	<u>(1,728,028)</u>
County taxes	1,542,555	1,552,076	1,489,533
Investment income	69,580	55,082	45,460
Unrestricted contributions	3,132	1,500	-
Transfer from related Foundation	8,000	11,017	119,546
Interest expense	(1,096,380)	(1,129,192)	(1,145,452)
Loss on sale of capital assets	<u>-</u>	<u>-</u>	<u>(1,766,105)</u>
Total nonoperating gains (losses)	<u>526,887</u>	<u>490,483</u>	<u>(1,257,018)</u>
Change in net position	(1,546,731)	561,230	(2,985,046)
Total net position, beginning	<u>8,669,182</u>	<u>8,107,952</u>	<u>11,092,998</u>
Total net position, ending	<u>\$ 7,122,451</u>	<u>\$ 8,669,182</u>	<u>\$ 8,107,952</u>

Operating and Financial Performance

The following summarizes the Hospital's statements of revenues, expenses and changes in net position between June 30, 2017 and 2016.

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

Volume: Medical, surgical and obstetrical discharges for fiscal year 2017 were 546 compared to 541 in fiscal year 2016. Average length of stay increased as medical, surgical and obstetrical patient days increased to 1,523 from 1,396 in 2016. Swing bed, skilled care discharges for fiscal year 2017 were 62 compared to 78 in fiscal year 2016. Average length of stay decreased as swing bed, skilled care patient days decreased to 361 from 499 in 2016. Volume on the outpatient side indicated positive growth in 2017. In 2017, gross outpatient charges increased to \$47,512,466 compared to \$44,098,533 in 2016.

Price Increase: As is customary annually, the Hospital did review its charge structure and incorporated certain price increases in 2017. Overall, gross patient service revenue increased to \$54,129,905 from \$50,646,446 in 2016. Medical, surgical and obstetrical, laboratory, CT scans, pharmacy and clinics reflected the most significant growth in 2017.

Payor Mix: The Hospital is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. Contractual adjustments and bad debts were \$21,972,449 in 2017 compared to \$19,450,054 in 2016, representing 41% and 38% of gross patient charges for each of the years ended June 30, 2017 and 2016, respectively.

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

Table 3
Payor Mix by Percentage

	<u>Year ended June 30</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare	42%	41%	38%
Medicaid	15	15	14
Commercial insurance	39	40	44
Patients	<u>4</u>	<u>4</u>	<u>4</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue increased to \$1,097,151 in 2017 compared to \$556,885 in 2016, primarily due to an increase in retail pharmacy income.

Expenses

Approximately 45% of Hospital's expenses are for salaries. Total salaries increased by 9% to \$15,492,662 in 2017 from \$14,262,871 in 2016. The most significant increases related to clinics, utilization review and fiscal and administrative services.

Approximately 45% of Hospital's expenses are for supplies and expenses. Total supplies and expenses increased by 19% to \$16,899,144 in 2017 from \$14,229,465 in 2016. The most significant increases related to medical and surgical, emergency and outpatient services, laboratory, pharmacy, and IPERS.

Approximately 10% of Hospital's expenses relate to provision for depreciation. The provision for depreciation decreased to \$2,936,419 in 2017 from \$3,190,194 in 2016.

Nonoperating Gains (Losses)

Nonoperating gains (losses) increased to \$526,887 from \$490,483 in 2016, primarily due to decreased interest expense.

Capital Assets

At the end of 2017, the Hospital had \$23,095,169 invested in capital assets, net of accumulated depreciation. The notes to the financial statements provide more detail of changes in property and equipment. In 2017, \$274,971 was spent to acquire capital assets.

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

Table 4
Capital Assets

	June 30		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 449,900	\$ 449,900	\$ 449,900
Land improvements	2,522,024	2,522,024	2,522,024
Buildings	8,258,596	8,258,596	8,103,103
Fixed equipment	17,704,881	17,704,881	17,704,881
Major movable equipment	<u>16,811,329</u>	<u>17,213,369</u>	<u>16,806,051</u>
Subtotal	45,746,730	46,148,770	45,585,959
Less accumulated depreciation	<u>22,651,561</u>	<u>20,392,153</u>	<u>17,679,094</u>
Capital assets	<u>\$23,095,169</u>	<u>\$25,756,617</u>	<u>\$27,906,865</u>

Debt Administration

At year end, the Hospital had \$24,852,175 in current and long-term debt related to Hospital Revenue Bonds and notes payable, equipment, a decrease of \$952,283 from 2016. More detailed information about the Hospital's outstanding long-term debt is presented in the notes to financial statements. Note that total long-term debt represents approximately 70% of the Hospital's total liabilities as of year end.

Deferred Outflows and Inflows of Resources

As of June 30, 2017, the Hospital reported \$3,655,218 of deferred outflows of resources and \$499,900 of deferred inflows of resources. The Notes to the Financial Statements provide more detail regarding the nature and components of the deferred outflows and inflows of resources.

Performance Compared to County Hospital Budget

The Hospital prepares its annual County Hospital budget on the budget basis, which differs from generally accepted accounting principles, GAAP basis. More detailed information as to major differences between County Hospital budget and GAAP bases are presented in the notes to financial statements. A comparison of the Hospital's fiscal year 2017 actual budget basis financial information to its annual County Hospital budget is presented in Table 5.

**Table 5
Actual vs Budget**

	<u>Actual budget basis</u>	<u>Annual County Hospital budget</u>	<u>Variance</u>
Amount to be raised by taxation	\$ 1,542,555	\$ 1,492,029	\$ 50,526
Other revenues/receipts	<u>33,335,319</u>	<u>35,199,016</u>	<u>(1,863,697)</u>
	34,877,874	36,691,045	(1,813,171)
Expenses/expenditures	<u>36,243,707</u>	<u>36,438,468</u>	<u>(194,761)</u>
Net	\$(<u>1,365,833</u>)	\$(<u>252,577</u>)	\$(<u>1,618,410</u>)

Actual other revenues/receipts results were lower than County Hospital budget primarily due to decreased net patient service revenue. Expenses/expenditures were lower than County Hospital budget primarily due to decreased operating expenses.

Economic and Other Factors and Next Year's Budget

The Hospital's board and management considered many factors when setting the fiscal year 2018 budget. Of primary importance are the market forces and environmental factors impacting healthcare such as:

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

Contacting Hospital's Management

This financial report is designed to provide users with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability. If you have questions about this report or need additional information, contact Crawford County Memorial Hospital at (712) 265-2500 or write care of: Chief Financial Officer, Crawford County Memorial Hospital, 100 Medical Parkway, Denison, Iowa 51442.

**Crawford County Memorial Hospital
STATEMENTS OF NET POSITION**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	June 30	
	2017	2016
CURRENT ASSETS		
Cash	\$ 1,772,361	\$ 4,609,489
Patient receivables, less allowances for contractual adjustments and bad debts	8,888,588	5,847,669
Other receivables	80,002	126,590
Estimated third-party payor settlements	660,000	280,000
Inventories	669,074	658,350
Prepaid expenses	249,914	238,213
Succeeding year property tax receivable	<u>1,580,000</u>	<u>1,520,000</u>
Total current assets	<u>13,899,939</u>	<u>13,280,311</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion, cash and cash equivalents	6,658,238	6,788,885
Restricted for payment of long-term debt and interest, cash and cash equivalents	<u>864,762</u>	<u>859,621</u>
Total assets whose use is limited	<u>7,523,000</u>	<u>7,648,506</u>
CAPITAL ASSETS	45,746,730	46,148,770
Less accumulated depreciation	<u>22,651,561</u>	<u>20,392,153</u>
Total capital assets	<u>23,095,169</u>	<u>25,756,617</u>
Total assets	<u>44,518,108</u>	<u>46,685,434</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>3,655,218</u>	<u>2,274,497</u>
Total assets and deferred outflows of resources	<u>\$48,173,326</u>	<u>\$48,959,931</u>

See Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	June 30	
	2017	2016
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 992,285	\$ 952,018
Accounts payable	1,663,456	1,504,760
Accrued employee compensation	1,447,081	1,328,563
Payroll taxes and amounts withheld from employees	178,236	67,101
Accrued interest	87,200	89,900
Estimated third-party payor settlements	—	300,000
Total current liabilities	<u>4,368,258</u>	<u>4,242,342</u>
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	23,859,890	24,852,440
Net pension liability	<u>10,742,827</u>	<u>8,494,853</u>
Total long-term liabilities	<u>34,602,717</u>	<u>33,347,293</u>
 Total liabilities	 <u>38,970,975</u>	 <u>37,589,635</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable property tax revenue	1,580,000	1,520,000
Pension related deferred inflows	<u>499,900</u>	<u>1,181,114</u>
Total deferred inflows of resources	<u>2,079,900</u>	<u>2,701,114</u>
NET POSITION		
Net investment in capital assets	(953,858)	751,377
Restricted	61,614	60,403
Unrestricted	<u>8,014,695</u>	<u>7,857,402</u>
 Total net position	 <u>7,122,451</u>	 <u>8,669,182</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$48,173,326</u>	 <u>\$48,959,931</u>

Crawford County Memorial Hospital
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year ended June 30	
	2017	2016
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2017 \$1,048,337; 2016 \$1,055,734	\$32,157,456	\$31,196,392
OTHER REVENUE	<u>1,097,151</u>	<u>556,885</u>
Total revenue	<u>33,254,607</u>	<u>31,753,277</u>
EXPENSES		
Nursing service	6,112,916	5,451,115
Other professional service	15,608,028	13,367,449
General service	1,455,328	1,444,034
Fiscal and administrative service and unassigned expenses	9,215,534	8,229,738
Provision for depreciation	<u>2,936,419</u>	<u>3,190,194</u>
Total operating expenses	<u>35,328,225</u>	<u>31,682,530</u>
Operating income (loss)	<u>(2,073,618)</u>	<u>70,747</u>
NONOPERATING GAINS (LOSSES)		
County taxes	1,542,555	1,552,076
Investment income	69,580	55,082
Unrestricted contributions	3,132	1,500
Transfer from related foundation	8,000	11,017
Interest expense	<u>(1,096,380)</u>	<u>(1,129,192)</u>
Total nonoperating gains (losses)	<u>526,887</u>	<u>490,483</u>
Change in net position	<u>(1,546,731)</u>	<u>561,230</u>
TOTAL NET POSITION		
Beginning	<u>8,669,182</u>	<u>8,107,952</u>
Ending	<u>\$ 7,122,451</u>	<u>\$ 8,669,182</u>

See Notes to Financial Statements.

**Crawford County Memorial Hospital
STATEMENTS OF CASH FLOWS**

	Year ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$28,436,537	\$31,042,269
Cash paid to suppliers for goods and services	(16,419,111)	(14,992,164)
Cash paid to employees for services	(15,374,144)	(14,091,406)
Other operating revenue received	<u>1,097,151</u>	<u>556,885</u>
Net cash and cash equivalents provided by (used in) operating activities	<u>(2,259,567)</u>	<u>2,515,584</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes	1,542,555	1,552,076
Contributions received	3,132	1,500
Transfer from related foundation	<u>8,000</u>	<u>11,017</u>
Net cash and cash equivalents provided by noncapital financing activities	<u>1,553,687</u>	<u>1,564,593</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	324,700
Principal payments on long-term debt	(952,283)	(893,267)
Interest paid on long-term debt	(1,099,080)	(1,131,592)
Acquisition of capital assets	<u>(274,971)</u>	<u>(1,039,946)</u>
Net cash and cash equivalents (used in) capital and related financing activities	<u>(2,326,334)</u>	<u>(2,740,105)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>69,580</u>	<u>55,082</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,962,634)	1,395,154
CASH AND CASH EQUIVALENTS		
Beginning	<u>12,257,995</u>	<u>10,862,841</u>
Ending	<u>\$ 9,295,361</u>	<u>\$12,257,995</u>

See Notes to Financial Statements.

**Crawford County Memorial Hospital
STATEMENTS OF CASH FLOWS (continued)**

	Year ended June 30	
	2017	2016
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ (2,073,618)	\$ 70,747
Adjustments to reconcile operating (loss) to net cash and cash equivalents provided by operating activities		
Depreciation	2,936,419	3,190,194
Changes in assets, liabilities, deferred outflows and deferred inflows		
(Increase) in patient receivables	(3,040,919)	(174,123)
Decrease in other receivables	46,588	39,298
(Increase) decrease in net estimated third-party payor settlements	(680,000)	20,000
(Increase) in inventories	(10,724)	(73,253)
(Increase) decrease in prepaid expenses	(11,701)	41,113
(Increase) decrease in pension related deferred outflows	(1,380,721)	215,846
Increase (decrease) in accounts payable	158,904	(507,191)
Increase in accrued employee compensation	118,518	171,465
Increase in payroll taxes and amounts withheld from employees	110,927	20,194
Increase in net pension liability	2,247,974	1,276,194
(Decrease) in pension related deferred inflows	<u>(681,214)</u>	<u>(1,774,900)</u>
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ (2,259,567)</u>	<u>\$ 2,515,584</u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO THE STATEMENTS OF NET POSITION		
Per statements of net position		
Current assets, cash	\$ 1,772,361	\$ 4,609,489
Assets whose use is limited		
Designated by board for plant replacement and expansion, cash and cash equivalents	6,658,238	6,788,885
Restricted for payment of long-term debt and interest, cash and cash equivalents	<u>864,762</u>	<u>859,621</u>
Total per statements of cash flows	<u>\$ 9,295,361</u>	<u>\$12,257,995</u>

See Notes to Financial Statements.

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

For financial reporting purposes, the Hospital has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. 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 Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Hospital. These criteria also include organizations that are fiscally dependent on the Hospital. The Hospital has no component units which meet the Governmental Accounting Standards Board criteria.

Measurement Focus and Basis of Accounting

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

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

Accounting Standards

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

Cash and Cash Equivalents

Cash and cash equivalents include cash and all certificates of deposit.

Inventories

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

Succeeding Year Property Tax Receivable

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

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

Net Pension Liability

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Net Position

Net position is presented in the following three components:

Net investment in capital assets

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of long-term debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted

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

Unrestricted

Unrestricted net position has no externally imposed restrictions on use.

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Net Patient Service Revenue

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

Revenues, Expenses, and Changes in Net Position

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

Investment Income

The Hospital has nonnegotiable certificates of deposit recorded at cost. The nonnegotiable certificates of deposit are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors. Investment income is reported as nonoperating gains.

Credit Policy

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

Accounting Estimates and Assumptions

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

NOTE 2 CASH AND CASH EQUIVALENTS

The Hospital's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance, collateralized securities, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The 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.

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

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 PATIENT RECEIVABLES

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

	<u>Year ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Medicare	\$ 3,313,848	\$2,087,193
Medicaid	3,233,893	1,480,047
Commercial insurance	3,546,509	2,451,302
Patients	<u>2,374,338</u>	<u>2,249,127</u>
Total patient receivables	12,468,588	8,267,669
Less allowances for contractual adjustments and bad debts	<u>(3,580,000)</u>	<u>(2,420,000)</u>
Net patient receivables	<u>\$ 8,888,588</u>	<u>\$5,847,669</u>

NOTE 4 ASSETS WHOSE USE IS LIMITED

Assets whose use is limited restricted for payment of long-term debt and interest are as follows for the year ended June 30, 2017:

	<u>Interest Funds</u>	<u>Reserve Fund</u>	<u>Total</u>
Balance, beginning of year	\$ 60,403	\$ 799,218	\$ 859,621
Transfer from current assets, cash	1,797,755	-	1,797,755
Interest earned	1,129	3,930	5,059
Principal and interest payments	<u>(1,797,673)</u>	<u>-</u>	<u>(1,797,673)</u>
Balance, end of year	<u>\$ 61,614</u>	<u>\$ 803,148</u>	<u>\$ 864,762</u>

NOTE 5 CAPITAL ASSETS

A summary of capital assets and related accumulated depreciation follows:

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 449,900	\$ -	\$ 449,900	\$ -
Land improvements	2,522,024	1,014,928	2,522,024	844,384
Buildings	8,258,596	1,376,337	8,258,596	1,071,196
Fixed equipment	17,704,881	6,850,874	17,704,881	5,701,723
Major movable equipment	<u>16,811,329</u>	<u>13,409,422</u>	<u>17,213,369</u>	<u>12,774,850</u>
Totals	<u>\$45,746,730</u>	<u>\$22,651,561</u>	<u>\$46,148,770</u>	<u>\$20,392,153</u>

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 CAPITAL ASSETS (continued)

A summary of changes in capital assets for the year ended June 30, 2017 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 449,900	\$ -	\$ -	\$ 449,900
Land improvements	2,522,024	-	-	2,522,024
Buildings	8,258,596	-	-	8,258,596
Fixed equipment	17,704,881	-	-	17,704,881
Major movable equipment	<u>17,213,369</u>	<u>274,971</u>	<u>677,011</u>	<u>16,811,329</u>
Totals	46,148,770	274,971	677,011	45,746,730
Less accumulated depreciation	<u>(20,392,153)</u>	<u>(2,936,419)</u>	<u>(677,011)</u>	<u>(22,651,561)</u>
Net capital assets	<u>\$25,756,617</u>	<u>\$(2,661,448)</u>	<u>\$ -</u>	<u>\$23,095,169</u>

A summary of changes in capital assets for the year ended June 30, 2016 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 449,900	\$ -	\$ -	\$ 449,900
Land improvements	2,522,024	-	-	2,522,024
Buildings	8,103,103	157,993	2,500	8,258,596
Fixed equipment	17,704,881	-	-	17,704,881
Major movable equipment	<u>16,806,051</u>	<u>881,953</u>	<u>474,635</u>	<u>17,213,369</u>
Totals	45,585,959	1,039,946	477,135	46,148,770
Less accumulated depreciation	<u>(17,679,094)</u>	<u>(3,190,194)</u>	<u>(477,135)</u>	<u>(20,392,153)</u>
Net capital assets	<u>\$27,906,865</u>	<u>\$(2,150,248)</u>	<u>\$ -</u>	<u>\$25,756,617</u>

NOTE 6 LONG-TERM DEBT

Long-term debt is summarized as follows:

	<u>Year ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Hospital Revenue Refunding Bonds, Series 2009A	\$ 8,265,000	\$ 8,545,000
Hospital Revenue Bonds, Series 2009B	1,589,266	1,633,993
Hospital Revenue Bonds, Series 2009D	14,303,392	14,705,939
Notes payable, equipment	<u>694,517</u>	<u>919,526</u>
	24,852,175	25,804,458
Less current maturities	<u>992,285</u>	<u>952,018</u>
Long-term debt, net of current maturities	<u>\$23,859,890</u>	<u>\$24,852,440</u>

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 LONG-TERM DEBT (continued)

Hospital Revenue Refunding Bonds, Series 2009A

The Hospital has issued Hospital Revenue Refunding Bonds, Series 2009A in the original amount of \$10,000,000. The Bonds are payable solely from future revenues of the Hospital and are due serially each June 1 through 2034, at remaining interest rates ranging from 5.3% to 6.4%. At June 30, 2017, the remaining balance on these Bonds is \$8,265,000. In addition, the Bonds require a Reserve Fund be maintained at a minimum level of \$791,890.

The amounts set aside as assets whose use is limited for payment of long-term debt and interest meet the requirements of the Bonds at June 30, 2017.

The Bonds contain a number of covenants regarding the operation of the Hospital, and the Hospital is in substantial compliance with those covenants.

Hospital Revenue Bonds, Series 2009B

The Hospital has issued Hospital Revenue Bonds, Series 2009B in the original amount of \$1,815,000. The Bonds are payable solely from future revenues of the Hospital and require monthly payments of \$8,985, including interest at 3.91%, with the final payment due June, 2039. The interest rate is variable and the Bonds stipulate the rate will reset initially December, 2021 then every five years following. At those dates, the interest rate will be set using a defined interest rate index. At June 30, 2017, the remaining balance on these Bonds is \$1,589,266.

The Bonds contain a number of covenants regarding the operation of the Hospital, and the Hospital is in substantial compliance with those covenants.

Hospital Revenue Bonds, Series 2009D

The Hospital has issued Hospital Revenue Bonds, Series 2009D in the amount of \$16,335,000. The Bonds are payable solely from future revenues of the Hospital and require monthly payments of \$80,865 including interest at 3.91%, with the final payment due June, 2039. The interest rate is variable and the Bonds stipulate the rate will reset initially December, 2021 then every five years following. At those dates, the interest rate will be set using a defined interest rate index. At June 30, 2017 the remaining balance on these Bonds is \$14,303,392.

The Bonds contain a number of covenants regarding the operation of the Hospital, and the Hospital is in substantial compliance with those covenants.

Notes Payable, Equipment

The Hospital has a note agreement to finance the purchase of certain equipment. The note requires a monthly payment of \$5,937, including interest at 2.75%, with the final payment due December, 2018. The note is collateralized by the equipment purchased by the Hospital. At June 30, 2017, the remaining balance on this note is \$104,574.

The Hospital has a second note agreement to finance the purchase of certain equipment. The note requires a monthly payment of \$9,137, including interest at 3.25%, with the final payment due December, 2020. The note is collateralized by the equipment purchased by the Hospital. At June 30, 2017, the remaining balance on this note is \$361,550.

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 LONG-TERM DEBT (continued)

Notes Payable, Equipment (continued)

The Hospital has a third note agreement to finance the purchase of certain equipment. The note requires a monthly payment of \$5,945, including interest at 3.76%, with the final payment due November, 2020. The note is collateralized by the equipment purchased by the Hospital. At June 30, 2017, the remaining balance on this note is \$228,393.

Each note agreement includes a provision allowing the Hospital to terminate the note in the event no funds or insufficient funds are appropriated or budgeted to make all payments for a subsequent fiscal period. This option must be exercised by the Hospital sixty days prior to the end of a fiscal period to allow for proper termination of the Notes. Consequently, these obligations do not constitute indebtedness of the Hospital under the laws of the State of Iowa, however, generally accepted accounting principles require the assets and liabilities to be recorded on the balance sheet at June 30, 2017.

As to the above Bonds, Series 2009A, 2009B and 2009D, the Hospital has pledged all future revenues, net of certain operating expenses, to repay the principal and interest. The Bonds were issued to finance capital improvements of the Hospital. The net revenues are pledged through June, 2039. As of June 30, 2017 the remaining principal and interest on the Series Bonds was \$37,102,402. The following is a comparison of the pledged net revenues and the principal and interest requirements of the Notes for the years ended June 30, 2017 and 2016:

	Year ended June 30	
	2017	2016
Change in net position	\$(1,546,731)	\$ 561,230
Provision for depreciation	2,936,419	3,190,194
Interest expense on the Bonds	<u>1,067,775</u>	<u>1,098,001</u>
 Pledged net revenues	 <u>\$2,457,463</u>	 <u>\$4,849,425</u>
 Principal and interest requirements		
Hospital Revenue Refunding Bonds, Series 2009A	\$ 719,467	\$ 722,427
Hospital Revenue Bonds, Series 2009B	107,821	107,821
Hospital Revenue Bonds, Series 2009D	<u>970,385</u>	<u>970,385</u>
 Totals	 <u>\$1,797,673</u>	 <u>\$1,800,633</u>

Aggregate maturities required on long-term debt are as follows:

Year ending June 30	Revenue Bonds			Notes payable, equipment	Total principal	Interest	Total
	Series 2009A	Series 2009B	Series 2009D				
2018	\$ 295,000	\$ 46,508	\$ 418,571	\$ 232,206	\$ 992,285	\$ 1,058,616	\$ 2,050,901
2019	310,000	48,359	435,234	204,093	997,686	1,016,957	2,014,643
2020	330,000	50,284	452,560	174,745	1,007,589	974,383	1,981,972
2021	350,000	52,286	470,575	83,473	956,334	930,390	1,886,724
2022	370,000	54,368	489,308	-	913,676	887,852	1,801,528
2023-2027	2,205,000	306,077	2,754,698	-	5,265,775	3,809,462	9,075,237
2028-2032	2,960,000	372,047	3,348,424	-	6,680,471	3,072,467	9,752,938
2033-2037	1,445,000	452,236	4,070,118	-	5,967,354	1,149,058	7,116,412
2038-2039	-	207,101	1,863,904	-	2,071,005	85,407	2,156,412
Totals	<u>8,265,000</u>	<u>1,589,266</u>	<u>14,303,392</u>	<u>694,517</u>	<u>24,852,175</u>	<u>12,984,592</u>	<u>37,836,767</u>
Less current maturities	<u>295,000</u>	<u>46,508</u>	<u>418,571</u>	<u>232,206</u>	<u>992,285</u>	<u>1,058,616</u>	<u>2,050,901</u>
 Total long-term debt	 <u>\$7,970,000</u>	 <u>\$1,542,758</u>	 <u>\$13,884,821</u>	 <u>\$ 462,311</u>	 <u>\$23,859,890</u>	 <u>\$11,925,976</u>	 <u>\$35,785,866</u>

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 LONG-TERM DEBT (continued)

A summary of changes in long-term debt for the year ended June 30, 2017 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Hospital Revenue Refunding Bonds, Series 2009A	\$ 8,545,000	\$ -	\$ 280,000	\$ 8,265,000	\$ 295,000
Hospital Revenue Bonds, Series 2009B	1,633,993	-	44,727	1,589,266	46,508
Hospital Revenue Bonds, Series 2009D	14,705,939	-	402,547	14,303,392	418,571
Notes payable, equipment	<u>919,526</u>	<u>-</u>	<u>225,009</u>	<u>694,517</u>	<u>232,206</u>
Totals	<u>\$25,804,458</u>	<u>\$ -</u>	<u>\$ 952,283</u>	<u>\$24,852,175</u>	<u>\$ 992,285</u>

A summary of changes in long-term debt for the year ended June 30, 2016 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Hospital Revenue Refunding Bonds, Series 2009A	\$ 8,815,000	\$ -	\$ 270,000	\$ 8,545,000	\$ 280,000
Hospital Revenue Bonds, Series 2009B	1,677,008	-	43,015	1,633,993	44,728
Hospital Revenue Bonds, Series 2009D	15,093,074	-	387,135	14,705,939	402,546
Notes payable, equipment	<u>787,943</u>	<u>324,700</u>	<u>193,117</u>	<u>919,526</u>	<u>224,744</u>
Totals	<u>\$26,373,025</u>	<u>\$ 324,700</u>	<u>\$ 893,267</u>	<u>\$25,804,458</u>	<u>\$ 952,018</u>

NOTE 7 NET PATIENT SERVICE REVENUE

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

Medicare and Medicaid

The Hospital is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. Iowa Medicaid has transitioned management of the program to three managed care organizations. As a result, the Hospital will continue to be reimbursed using a cost based methodology, however Medicaid reimbursement will no longer be subject to a final settlement based on actual costs incurred. The Hospital will annually negotiate Medicaid payment rates with the managed care organizations based on annual Medicare and Medicaid cost reporting. The Hospital's classification of patients under the programs and the appropriateness of their admission are subject to an independent review by peer review organizations. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through the period ended June 30, 2016.

Other

The Hospital has 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.

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2017 and 2016.

	2017	2016
Charges foregone, based on established rates	\$ <u>324,518</u>	\$ <u>229,085</u>
Equivalent percentage of charity care patients to all patients served	<u>0.6%</u>	<u>0.5%</u>

NOTE 9 TAX ABATEMENTS

The City of Denison, Iowa has entered into certain tax abatement agreements to encourage urban renewal projects in designated areas. As a result, property tax revenues available to the Hospital were reduced by \$2,968 for the year ended June 30, 2017 under the agreements entered into by the City.

NOTE 10 MALPRACTICE CLAIMS

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

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

Incidents occurring through June 30, 2017 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 11 PENSION PLAN

Plan Description

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

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.

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 PENSION PLAN (continued)

Pension Benefits

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

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.5% for each month that the member receives benefits before age 65.

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

Disability and Death Benefits

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

Contributions

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

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 PENSION PLAN (continued)

Contributions (continued)

In fiscal year 2017, 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%. Protection occupation members contributed 6.56% of pay and the Hospital contributed 9.84% for a total rate of 16.4%.

The Hospital's contributions to IPERS for the years ended June 30, 2017 and 2016 were \$1,289,474 and \$1,191,460, respectively.

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

At June 30, 2017, the Hospital reported a liability of \$10,742,827 for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the Hospital's proportionate share:

	June 30		Change
	2016	2015	
Hospital's proportionate share	0.170702%	0.171944%	(0.001242%)

For the year ended June 30, 2017, the Hospital recognized pension expense of \$1,475,513. At June 30, 2017, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 94,647	\$ 139,163
Change in assumptions	163,386	148
Net difference between projected and actual earnings on pension plan investments	1,605,197	-
Change in proportion and difference between Hospital contributions and proportionate share of contributions	502,514	360,589
Hospital contributions subsequent to the measurement date	<u>1,289,474</u>	<u>-</u>
Totals	<u>\$3,655,218</u>	<u>\$ 499,900</u>

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 PENSION PLAN (continued)

The \$1,289,474 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Regular Members</u>	<u>Protection Occupation</u>	<u>Total</u>
2018	\$ 318,549	\$ 3,531	\$ 322,080
2019	318,549	3,531	322,080
2020	759,584	38,199	797,783
2021	412,338	24,301	436,639
2022	<u>(12,936)</u>	<u>198</u>	<u>(12,738)</u>
Totals	<u>\$1,796,084</u>	<u>\$ 69,760</u>	<u>\$1,865,844</u>

There were no nonemployer contributing entities at IPERS.

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	3%
Rate of salary increases, including inflation	4% to 17%
Wage growth rate	4%
Payroll increase rate	4%
Long-term rate of return, net of investment expense, including inflation	7.5%
Municipal bond index rate	
Prior measurement date	3.82%
Measurement date	3.01%
Single equivalent interest rate, net of investment expense, including inflation	
Prior measurement date	7.5%
Measurement date	7.5%

Mortality rates were based on the RP-2000 Generational Mortality Tables with adjustments for mortality improvements based on Scale AA.

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 PENSION PLAN (continued)

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
US TIPS	5	1.36
Other real assets	2	6.42
Cash	<u>1</u>	(0.26)
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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%, 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% point lower (6.5%) or 1% point higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Hospital's proportionate share of the net pension liability	<u>\$17,657,028</u>	<u>\$10,742,827</u>	<u>\$4,907,507</u>

Pension Plan Fiduciary Net Position

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

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 PENSION PLAN (continued)

Payables to the Pension Plan

At June 30, 2017, the Hospital reported payables to the defined benefit pension plan of approximately \$100,000 for legally required employer contributions and \$30,000 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS

The Hospital has implemented Governmental Accounting Standards Board, GASB, Statement No. 45, Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions. An actuarial valuation has been performed and the other post employment benefit has been judged by management to be immaterial to the financial statements.

NOTE 13 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the Board of Trustees annually adopts a County Hospital budget for all funds following required public notice and hearings. The annual County Hospital budget may be amended during the year utilizing similar statutorily prescribed procedures. The Hospital prepares its annual County Hospital budget on a budget basis, which differs from generally accepted accounting principles, GAAP basis. The major differences between County Hospital budget and GAAP bases are that interest expense is recorded on the County Hospital budget basis and IPERS pension contributions are recorded on the County Hospital budget basis, while IPERS pension expense is recorded on the GAAP basis.

For the year ended June 30, 2017, the following is a comparison of reported amounts to the County Hospital budget:

	<u>GAAP basis</u>	<u>Budget basis adjustments</u>	<u>Budget basis</u>	<u>County Hospital Budget</u>
Amount to be raised by taxation	\$ 1,542,555	\$ —	\$ 1,542,555	\$ 1,492,029
Other revenues/receipts	<u>32,238,939</u>	<u>1,096,380</u>	<u>33,335,319</u>	<u>35,199,016</u>
	33,781,494	1,096,380	34,877,874	36,691,045
Expenses/expenditures	<u>35,328,225</u>	<u>915,482</u>	<u>36,243,707</u>	<u>36,438,468</u>
Net	(1,546,731)	180,898	(1,365,833)	252,577
Balance, beginning	<u>8,669,182</u>	<u>711,346</u>	<u>9,380,528</u>	<u>5,844,477</u>
Balance, ending	<u>\$ 7,122,451</u>	<u>\$ 892,244</u>	<u>\$ 8,014,695</u>	<u>\$ 6,097,054</u>

NOTE 14 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. The Hospital assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Crawford County Memorial Hospital
SCHEDULE OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
Required Supplementary Information

	June 30 2017
Hospital's proportion of the net pension liability	0.170702%
Hospital's proportionate share of the net pension liability	10,742,827
Hospital's total payroll	\$15,492,662
Hospital's proportionate share of the net pension liability as a % of its covered-employee payroll	69%
Plan fiduciary net position as a % of the total pension liability	81%

See accompanying notes to required supplementary information - pension liability.

**Crawford County Memorial Hospital
SCHEDULE OF HOSPITAL PENSION CONTRIBUTIONS
Iowa Public Employees' Retirement System
Required Supplementary Information**

	Year ended June 30			
	2017	2016	2015	2014
Statutorily required contribution	\$1,289,474	\$1,191,460	\$1,169,062	\$1,207,069
Contributions in relation to the statutorily required contribution	<u>1,289,474</u>	<u>1,191,460</u>	<u>1,169,062</u>	<u>1,207,069</u>
Contribution deficiency (excess)	\$ <u> —</u>	\$ <u> —</u>	\$ <u> —</u>	\$ <u> —</u>
Hospital's total payroll	\$15,492,662	\$14,262,871	\$13,793,941	\$13,763,035
Contributions as a percentage of total payroll	8.3%	8.4%	8.5%	8.8%

See accompanying notes to required supplementary information - pension liability.

Year ended June 30					
2013	2012	2011	2010	2009	2008
\$ 984,729	\$ 900,074	\$ 745,843	\$ 656,392	\$ 531,428	\$ 452,747
<u>984,729</u>	<u>900,074</u>	<u>745,843</u>	<u>656,392</u>	<u>531,428</u>	<u>452,747</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$11,899,684	\$11,520,786	\$11,361,626	\$10,443,831	\$ 8,997,613	\$ 7,826,258
8.3%	7.8%	6.6%	6.3%	5.9%	5.8%

Crawford County Memorial Hospital
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year ended June 30, 2017

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% per year measured from the member's first unreduced retirement age to a 6% 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% to 3%.
- Decreased the assumed rate of interest on member accounts from 4% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

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



INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees
Crawford County Memorial Hospital
Denison, Iowa

We have audited the financial statements of Crawford County Memorial Hospital as of and for the years ended June 30, 2017 and 2016, and have issued our report thereon dated October 13, 2017, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 13, 2017

**Crawford County Memorial Hospital
ANALYSIS OF PATIENT RECEIVABLES**

<u>Age of accounts (by date of discharge)</u>	<u>Amounts</u>		<u>Percent to total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
0 - 30 days (includes patients in Hospital at end of year)	\$ 4,485,635	\$3,708,844	35.98%	44.86%
31 - 60 days	2,383,766	1,233,997	19.12	14.93
61 - 90 days	1,260,078	689,898	10.10	8.34
91 - 150 days	1,303,521	1,031,417	10.45	12.47
Over 150 days	<u>3,035,588</u>	<u>1,603,513</u>	<u>24.35</u>	<u>19.40</u>
Totals	<u>12,468,588</u>	<u>8,267,669</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	1,200,000	660,000		
Medicaid	820,000	580,000		
Other	800,000	540,000		
Bad debts	<u>760,000</u>	<u>640,000</u>		
Total allowances	<u>3,580,000</u>	<u>2,420,000</u>		
Totals	<u>\$ 8,888,588</u>	<u>\$5,847,669</u>		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	<u>\$ 88,103</u>	<u>\$ 85,236</u>		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	<u>101</u>	<u>69</u>		

ANALYSIS OF ALLOWANCE FOR BAD DEBTS

	<u>Amounts</u>		<u>Percent of net patient service revenue</u>	
	<u>Year ended June 30</u>		<u>Year ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
BALANCE , beginning	\$ 640,000	\$ 640,000		
ADD				
Provision for bad debts	1,048,337	1,055,734	3.26%	3.38%
Recoveries of accounts previously written off	<u>397,136</u>	<u>375,299</u>	1.24	1.20
	2,085,473	2,071,033		
DEDUCT				
Accounts written off	<u>1,325,473</u>	<u>1,431,033</u>	4.12	4.58
BALANCE , ending	<u>\$ 760,000</u>	<u>\$ 640,000</u>		

Crawford County Memorial Hospital
PATIENT SERVICE REVENUE
Year ended June 30, 2017, with comparative totals for 2016

	<u>2017</u>			<u>2016</u>
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
DAILY PATIENT SERVICES				
Medical, surgical and obstetrical	\$2,225,052	\$ —	\$ 2,225,052	\$ 1,946,199
Swing bed	249,797	—	249,797	295,627
Nursery	<u>147,452</u>	—	<u>147,452</u>	<u>168,888</u>
	<u>2,622,301</u>	<u>—</u>	<u>2,622,301</u>	<u>2,410,714</u>
OTHER NURSING SERVICES				
Operating room	1,219,634	4,669,970	5,889,604	6,096,562
Recovery room	49,694	547,062	596,756	682,967
Delivery room	215,203	—	215,203	221,841
Emergency service	67,585	4,668,559	4,736,144	4,961,092
Outpatient services	—	623,050	623,050	468,383
Observation room	—	<u>743,360</u>	<u>743,360</u>	<u>651,511</u>
	<u>1,552,116</u>	<u>11,252,001</u>	<u>12,804,117</u>	<u>13,082,356</u>
OTHER PROFESSIONAL SERVICES				
Laboratory	637,599	6,812,792	7,450,391	6,875,463
Electrocardiology	26,112	483,647	509,759	454,572
Radiology	92,344	2,820,128	2,912,472	2,999,521
CT scans	138,559	3,109,844	3,248,403	2,603,233
MRI	67,274	2,094,047	2,161,321	2,298,978
Ultrasound	59,047	1,701,593	1,760,640	1,850,652
Pharmacy	718,196	4,409,193	5,127,389	3,538,257
Oncology	1,075	92,943	94,018	67,781
Anesthesiology	280,664	717,815	998,479	992,823
Respiratory therapy	452,605	769,193	1,221,798	1,129,401
Cardiac rehabilitation	—	157,990	157,990	164,286
Ambulance	91,248	1,283,928	1,375,176	1,266,607
Physical therapy	155,280	1,706,295	1,861,575	1,865,532
Occupational therapy	21,663	179,837	201,500	205,993
Speech therapy	25,874	62,195	88,069	91,627
Clinics	—	<u>9,859,025</u>	<u>9,859,025</u>	<u>8,977,735</u>
	<u>2,767,540</u>	<u>36,260,465</u>	<u>39,028,005</u>	<u>35,382,461</u>
Totals	<u>\$6,941,957</u>	<u>\$47,512,466</u>	54,454,423	50,875,531
Charity care charges foregone, based on established rates			<u>(324,518)</u>	<u>(229,085)</u>
Total gross patient service revenue			54,129,905	50,646,446
Provisions for contractual adjustments and bad debts			<u>(21,972,449)</u>	<u>(19,450,054)</u>
Total net patient service revenue			<u>\$32,157,456</u>	<u>\$31,196,392</u>

**Crawford County Memorial Hospital
PROVISIONS FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBTS**

	<u>Year ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Contractual adjustments		
Medicare	\$ 9,699,128	\$ 8,672,562
Medicaid	2,930,731	2,088,122
Other adjustments	8,294,253	7,633,636
Provision for bad debts	<u>1,048,337</u>	<u>1,055,734</u>
 Totals	 <u>\$21,972,449</u>	 <u>\$19,450,054</u>

OTHER REVENUE

	<u>Year ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Cafeteria	\$ 62,085	\$ 69,123
Rental income	63,864	57,519
Retail pharmacy	841,450	234,719
Sale of supplies and drugs	3,254	3,968
Wellness	235	16,828
Lifeline	44,562	42,444
Miscellaneous	<u>81,701</u>	<u>132,284</u>
 Totals	 <u>\$1,097,151</u>	 <u>\$ 556,885</u>

Crawford County Memorial Hospital
EXPENSES
Year ended June 30, 2017, with comparative totals for 2016

	<u>2017</u>			<u>2016</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
NURSING SERVICE				
Nursing administration	\$ 140,503	\$ 6,585	\$ 147,088	\$ 175,355
Medical and surgical	803,417	566,077	1,369,494	1,266,056
Obstetrical	220,372	187,469	407,841	324,425
Nursery	54,941	5,624	60,565	53,116
Operating room	471,484	1,116,883	1,588,367	1,400,863
Recovery room	21,842	-	21,842	25,406
Delivery room	31,691	3,064	34,755	39,382
Emergency and outpatient service	819,893	1,663,071	2,482,964	2,166,512
Total nursing service	<u>2,564,143</u>	<u>3,548,773</u>	<u>6,112,916</u>	<u>5,451,115</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	434,729	922,084	1,356,813	1,112,331
Electrocardiology	61,223	2,659	63,882	59,466
Radiology	402,604	332,546	735,150	707,565
CT scans	-	106,596	106,596	56,492
MRI	-	125,858	125,858	133,895
Ultrasound	98,089	90,681	188,770	165,005
Pharmacy	342,339	1,514,196	1,856,535	1,147,968
Oncology	8,764	50,943	59,707	45,779
Anesthesiology	381,862	496,161	878,023	821,373
Respiratory therapy	125,501	143,043	268,544	250,600
Cardiac rehabilitation	50,303	1,226	51,529	53,739
Ambulance	285,361	53,178	338,539	279,047
Physical therapy	500,270	17,214	517,484	467,781
Occupational therapy	40,325	642	40,967	44,384
Speech therapy	-	31,047	31,047	32,136
Clinics	6,318,399	1,685,221	8,003,620	7,113,277
Health information management	457,164	39,257	496,421	528,125
Quality assurance	131,521	7,346	138,867	126,982
Utilization review	347,984	1,692	349,676	221,504
Total other professional service	<u>9,986,438</u>	<u>5,621,590</u>	<u>15,608,028</u>	<u>13,367,449</u>
GENERAL SERVICE				
Dietary	290,502	131,695	422,197	443,807
Plant engineering	328,395	346,064	674,459	690,698
Housekeeping	263,735	39,923	303,658	246,484
Laundry	-	55,014	55,014	63,045
Total general service	<u>882,632</u>	<u>572,696</u>	<u>1,455,328</u>	<u>1,444,034</u>

Crawford County Memorial Hospital
EXPENSES (continued)
Year ended June 30, 2017, with comparative totals for 2016

	<u>2017</u>			<u>2016</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
FISCAL AND ADMINISTRATIVE SERVICE AND UNASSIGNED EXPENSES				
Fiscal and administrative service	\$ 2,059,449	\$ 2,094,248	\$ 4,153,697	\$ 3,856,981
FICA	-	947,125	947,125	898,847
IPERS	-	1,475,513	1,475,513	908,601
Group health and life insurance	-	2,054,820	2,054,820	2,057,950
Insurance	-	584,379	584,379	507,359
Total fiscal and administrative service and unassigned expenses	<u>2,059,449</u>	<u>7,156,085</u>	<u>9,215,534</u>	<u>8,229,738</u>
PROVISION FOR DEPRECIATION	<u>-</u>	<u>2,936,419</u>	<u>2,936,419</u>	<u>3,190,194</u>
Total expenses	<u>\$15,492,662</u>	<u>\$19,835,563</u>	<u>\$35,328,225</u>	<u>\$31,682,530</u>

**Crawford County Memorial Hospital
STATISTICS**

	Year ended June 30	
	<u>2017</u>	<u>2016</u>
PATIENT DAYS		
Medical, surgical and obstetrical	1,523	1,396
Swing bed		
Skilled care	361	499
Intermediate care	118	30
Nursery	<u>266</u>	<u>305</u>
Totals	<u>2,268</u>	<u>2,230</u>
DISCHARGES		
Medical, surgical and obstetrical	546	541
Swing bed		
Skilled care	62	78
Intermediate care	44	10
Nursery	<u>133</u>	<u>159</u>
Totals	<u>785</u>	<u>788</u>
AVERAGE LENGTH OF STAY		
Medical, surgical and obstetrical	2.79	2.58
Swing bed		
Skilled care	5.82	6.40
Intermediate care	2.68	3.00
Nursery	2.00	1.92



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

Board of Trustees
Crawford County Memorial Hospital
Denison, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Crawford County Memorial Hospital, as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2017.

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 opinions 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.

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2017 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. Those comments are presented in Part II of the accompanying Schedule of Findings.

Purpose of this Report

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


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 13, 2017

**Crawford County Memorial Hospital
SCHEDULE OF FINDINGS
Year ended June 30, 2017**

Part I—Findings Related to the Financial Statements

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

**Crawford County Memorial Hospital
SCHEDULE OF FINDINGS
Year ended June 30, 2017**

Part II—Findings Related to Required Statutory Reporting

17-II-A CERTIFIED BUDGET

Based on a comparison of actual budget basis expenditures with County Hospital budgeted expenditures, it appears the Hospital did not exceed its County Hospital budget for the year ended June 30, 2017.

17-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Hospital funds were noted.

17-II-C TRAVEL EXPENSES

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

17-II-D BUSINESS TRANSACTIONS

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

17-II-E BOARD MINUTES

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

17-II-F DEPOSITS AND INVESTMENTS

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