



Financial Statements  
June 30, 2015 and 2014



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People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Board of Trustees and Health Center Officials

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	<u>Board of Trustees</u>	
Rob Robinson	Chairperson	2020
Carmen Mescher	Vice Chairperson	2018
Lans Flickinger	Secretary	2016
Anne McMillan	Treasurer	2020
Donnie Bloes	Trustee	2016
	<u>Health Center Officials</u>	
Steve Slessor	Chief Executive Officer	
Ben Stevens	Chief Financial Officer	



## **Independent Auditor's Report**

The Board of Trustees  
People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Independence, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of People's Memorial Hospital, d/b/a Buchanan County Health Center (Health Center), which comprise the statements of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of People's Memorial Hospital, d/b/a Buchanan County Health Center, as of June 30, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes 1 and 12 to the financial statements, the Health Center has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. In accordance with GASB Statement No. 68, the 2014 financial statements have not been restated to reflect this change. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis on pages 4 through 11, the Budgetary Comparison Information on pages 37 and 38, the Schedule of the Health Center's Proportionate Share of the Net Pension Liability, and the Schedule of the Health Center's Contributions on pages 39 through 41 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2015 on our consideration of the Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Center's internal control over financial reporting and compliance.



Dubuque, Iowa  
August 19, 2015

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

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

The financial statements are composed of the statements of net position, statements of revenues, expenses, and changes in net position, and the statements of cash flows. The financial statements also include notes that explain in more detail some of the information in the financial statements. The financial statements are designed to provide readers with a broad overview of the Health Center's finances.

The Health Center's financial statements offer short and long term information about its activities. The statements of net position include all of the Health Center's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to Health Center creditors (liabilities). The statements of net position also provide the basis for evaluating the capital structure of the Health Center and assessing the liquidity and financial flexibility of the Health Center.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net position. These statements measure the success of the Health Center's operations over the past year and can be used to determine whether the Health Center has successfully recovered all of its costs through its patient and resident service revenue and other revenue sources. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period.

The final statement is the statement of cash flows. These statements report cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities. They also provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

## Financial Highlights

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report the net position of the Health Center and the changes in it. The Health Center's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - is a way to measure financial health or financial position. Over time, sustained increases or decreases in the Health Center's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic condition, population growth and new or changed governmental legislation should also be considered.

- The Statement of Net Position at June 30, 2015, indicates total assets of \$33,781,748, total deferred outflows of resources of \$1,698,275, total liabilities of \$15,818,962, total deferred inflows of resources of \$3,316,101, and net position of \$14,646,685. The Statement of Net Position at June 30, 2014, indicates total assets of \$30,902,569, total liabilities of \$11,007,982, total deferred inflows of resources of \$1,687,247, and net position of \$18,207,340. The Statement of Net Position at June 30, 2013, indicates total assets of \$30,088,894, total liabilities of \$10,542,635, total deferred inflows of resources of \$1,949,633, and net position of \$17,596,626.
- The Statement of Revenues, Expenses, and Changes in Net Position at June 30, 2015 indicates total net patient and resident service revenue of \$21,486,240 increased 4.21% and total operating expenses of \$21,679,435 decreased 1.52% from the previous year, resulting in operating income of \$774,808. Net non-operating revenues of \$940,463 brings the change in net position to \$1,715,271, a 280.86% increase from the prior year. The Statement of Revenues, Expenses, and Changes in Net Position at June 30, 2014 indicates total net patient and resident service revenue of \$20,618,059 increased 14.1% and total operating expenses of \$22,015,320 increased 17.0% from the previous year, resulting in an operating loss of \$326,558. Net non-operating revenues of \$937,272 brings the change in net position to \$610,714, a 48.9% decrease from the prior year. The Statement of Revenues, Expenses, and Changes in Net Position at June 30, 2013 indicates total net patient and resident service revenue of \$18,076,964 increased less than 1% and total operating expenses of \$18,815,537 increased 8.8% from the previous year, resulting in operating income of \$239,459. Net non-operating revenues of \$955,659 brings the change in net position to \$1,195,118, a 52.4% decrease from the prior year.
- The Health Center's current assets exceeded its current liabilities by \$10,022,971 at June 30, 2015, providing a 3.73 current ratio. The Health Center's current assets exceeded its current liabilities by \$9,206,523 at June 30, 2014, providing a 4.31 current ratio. The Health Center's current assets exceeded its current liabilities by \$8,171,781 at June 30, 2013, providing a 4.67 current ratio.
- The Health Center's total days of cash on hand at June 30, 2015 were 184. The Health Center's total days of cash on hand at June 30, 2014 were 146. The Health Center's total days of cash on hand at June 30, 2013 were 154.
- Gross outpatient charges increased 10.69% during fiscal year 2015. Gross outpatient charges increased 12.9% during fiscal year 2014. Gross outpatient charges increased 2.1% during fiscal year 2013.
- Nursing Home gross charges increased 8.07% during fiscal year 2015. Nursing Home gross charges increased 18.4% during fiscal year 2014. Nursing Home gross charges increased 6.9% during fiscal year 2013.
- Net patient and resident days in accounts receivable continue to be very favorable at 54 days at June 30, 2015. Net patient and resident days in accounts receivable were 56 days at June 30, 2014. Net patient and resident days in accounts receivable were 58 days at June 30, 2013.

- Statistical information:
  - 13,494- Nursing Home patient days (3.5% increase)
  - 1,312 - Surgical Cases (3.4% increase)
  - 52,690 - Laboratory tests (3.6% decrease)
  - 10,387 - Radiology tests (12.8% increase)
  - 22,832 - Physical Therapy modalities (18.6% increase)
  - 5,346 - Emergency Room visits (11.9% increase)
  - 836 - Acute Care patient days (3.2% decrease)
  - 986 - SNF Care patient days (20.8% increase)
- The Hospital's net position decreased approximately \$3.561 million from June 30, 2014 to June 30, 2015, primarily due to the implementation of GASB 68 and the restatement of the beginning net position by \$5.276 million.
- The Health Center's net pension expense decreased approximately \$304,000 as a result of the implementation of GASB 68 and the deferral of current year's pension contributions.
- Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$5,275,926 to retroactively report the net pension liability as of June 30, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal years 2013 and 2014 for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

### Condensed Financial Statements

The following tables on pages 7 through 9 presented for the years ended June 30, 2014 and 2013 have not been restated for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.



People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Management's Discussion and Analysis  
June 30, 2015 and 2014

Condensed Financial Statements  
Statements of Net Position

	June 30, 2015	June 30, 2014	June 30, 2013
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	\$ 8,943,627	\$ 7,051,586	\$ 6,261,109
Patient and resident receivables, net of estimated uncollectibles	3,197,879	3,155,114	2,893,399
Succeeding year property tax	1,052,813	1,018,605	1,004,180
Estimated third-party payor settlements	-	255,000	-
Other	496,055	504,544	238,998
Total current assets	<u>13,690,374</u>	<u>11,984,849</u>	<u>10,397,686</u>
Assets Limited as to Use or Restricted	<u>1,076,265</u>	<u>1,053,864</u>	<u>1,064,761</u>
Capital Assets, Net	<u>17,168,834</u>	<u>17,715,856</u>	<u>18,434,951</u>
Other Assets			
Beneficial interest in charitable trust	148,000	148,000	148,000
Deferred financing costs, net	-	-	43,496
Total other assets	<u>148,000</u>	<u>148,000</u>	<u>191,496</u>
Total assets	<u>32,083,473</u>	<u>30,902,569</u>	<u>30,088,894</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>1,698,275</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 33,781,748</u>	<u>\$ 30,902,569</u>	<u>\$ 30,088,894</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Management's Discussion and Analysis  
June 30, 2015 and 2014

Condensed Financial Statements  
Statements of Net Position (continued)

	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>			
<b>Current Liabilities</b>			
Current maturities of long-term debt	\$ 648,196	\$ 632,242	\$ 569,534
Accounts payable			
Trade	684,628	890,637	486,137
Construction	103,106	-	-
Estimated third-party payor settlements	944,000	-	232,000
Accrued expenses	<u>1,287,473</u>	<u>1,255,447</u>	<u>938,234</u>
Total current liabilities	<u>3,667,403</u>	<u>2,778,326</u>	<u>2,225,905</u>
<b>Noncurrent Liabilities</b>			
Deposits	1,899,200	2,186,700	2,150,125
Long-term debt, less current maturities	5,435,137	6,042,956	6,166,605
Net pension liability	<u>4,817,222</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>12,151,559</u>	<u>8,229,656</u>	<u>8,316,730</u>
Total liabilities	<u>15,818,962</u>	<u>11,007,982</u>	<u>10,542,635</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue for succeeding year			
property tax receivable	1,052,813	1,018,605	1,004,180
Pension related deferred inflows	1,853,479	-	-
Electronic health records incentive	274,237	548,474	822,712
Deferred revenue	<u>135,572</u>	<u>120,168</u>	<u>122,741</u>
Total deferred inflows of resources	<u>3,316,101</u>	<u>1,687,247</u>	<u>1,949,633</u>
<b>Net Position</b>			
Net investment in capital assets	9,186,301	8,853,958	9,548,687
Restricted	216,987	216,987	217,012
Unrestricted	<u>5,243,397</u>	<u>9,136,395</u>	<u>7,830,927</u>
Total net position	<u>14,646,685</u>	<u>18,207,340</u>	<u>17,596,626</u>
Total liabilities and net position	<u>\$ 33,781,748</u>	<u>\$ 30,902,569</u>	<u>\$ 30,088,894</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Management's Discussion and Analysis  
Years Ended June 30, 2015 and 2014

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30,		
	2015	2014	2013
Operating Revenues			
Net patient and resident service revenue (net of provision for bad debts)	\$ 21,486,240	\$ 20,618,059	\$ 18,076,964
Other operating revenues	968,003	1,070,703	978,032
Total Operating Revenues	<u>22,454,243</u>	<u>21,688,762</u>	<u>19,054,996</u>
Operating Expenses			
Salaries and wages	9,336,451	8,445,311	7,117,650
Supplies and other expenses	10,169,779	11,476,931	9,903,814
Depreciation and amortization	2,173,205	2,093,078	1,794,073
Total Operating Expenses	<u>21,679,435</u>	<u>22,015,320</u>	<u>18,815,537</u>
Operating Income (Loss)	<u>774,808</u>	<u>(326,558)</u>	<u>239,459</u>
Nonoperating Revenues (Expenses)			
County tax revenue	1,029,292	1,004,841	975,484
Noncapital grants and contributions	4,070	4,070	16,175
Investment income	58,104	49,168	52,117
Interest expense	(193,986)	(187,622)	(152,086)
Rental income	42,983	70,953	65,301
Loss on disposal of capital assets	-	(4,138)	(1,332)
Net Nonoperating Revenues	<u>940,463</u>	<u>937,272</u>	<u>955,659</u>
Change in Net Position	<u>1,715,271</u>	<u>610,714</u>	<u>1,195,118</u>
Net Position, Beginning of Year	18,207,340	17,596,626	16,401,508
Restatement	<u>(5,275,926)</u>	<u>-</u>	<u>-</u>
Net Position Beginning of Year, as Restated	<u>12,931,414</u>	<u>17,596,626</u>	<u>16,401,508</u>
Net Position, End of Year	<u><u>\$ 14,646,685</u></u>	<u><u>\$ 18,207,340</u></u>	<u><u>\$ 17,596,626</u></u>

## Capital Assets

Significant capital purchases included:

- \$96,500 IT Storage Area Network upgrade
- \$102,750 of new patient beds/carts in LTC and Ambulatory
- \$40,000 of new surgical tools and instruments
- \$35,500 for a new pharmacy medical dispensing machine in surgery for anesthesia drug storage
- \$301,500 replacement mechanical chiller upgrade
- \$46,500 of new equipment for sleep lab exams
- \$600,000 of architectural fees associated with the master facility plan project

## Long-Term Debt

Buchanan County Health Center had \$648,196 and \$5,435,137 respectively, in short-term and long-term debt for the year ended June 30, 2015. The Health Center had \$632,242 and \$6,042,956 respectively, in short-term and long-term debt for the year ended June 30, 2014 and \$569,534 and \$6,166,605, respectively, in short-term and long-term debt for the year ended June 30, 2013. The debt was incurred to update the facility and continue to invest in new equipment and technology.

## Economic and Other Factors and Next Year's Budget

The Health Center's Board and management considered many factors when preparing the fiscal year 2015 budget. Of primary consideration in the 2015 budget are the unknowns of health care reform and the continued difficulty in the status of the economy.

Items listed below were also considered:

- Medicare and Medicaid reimbursement rates
- Managed care contracts
- Increase in self-pay accounts receivable due to uninsured and underinsured
- Medicaid Expansion impacts on payor mix changes
- Nursing Care Center reimbursement
- Staffing benchmarks
- Increased expectations for quality at a lower price
- Salary and benefit costs
- Surging drug costs
- Energy costs
- Patient safety initiatives
- Pay-for-performance and quality indicators
- Technology advances
- Medical staff issues
- Lower return on investments

## **Summary**

The Health Center's Board of Trustees and Administrative Council continue to be extremely proud of the excellent patient care, dedication, commitment and support each of our 217 employees provide to every person they serve. We would also like to thank each member of the Health Center's medical staff for their dedication and support provided.

## **Contacting the Health Center's Finance Department**

The Health Center's financial statements are designed to present users with a general overview of the Health Center's finances and to demonstrate the Health Center's accountability. If you have questions about the report or need additional financial information, please contact the finance department at the following address:

Buchanan County Health Center  
1600 First Street East  
Independence, Iowa 50644

	<u>2015</u>	<u>2014</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents - Note 3	\$ 8,943,627	\$ 7,051,586
Receivables		
Patient and resident, net of estimated uncollectibles of \$870,000 in 2015 and \$1,203,000 in 2014	3,197,879	3,155,114
Succeeding year property tax	1,052,813	1,018,605
Estimated third-party payor settlements	-	255,000
Other	11,270	30,544
Supplies	230,483	196,325
Prepaid expense	254,302	277,675
	<u>13,690,374</u>	<u>11,984,849</u>
Assets Limited as to Use or Restricted - Note 3		
Investments		
Restricted under debt agreements	68,987	68,987
By board for capital improvements	1,007,278	984,877
	<u>1,076,265</u>	<u>1,053,864</u>
Capital Assets - Note 4		
Capital assets not being depreciated	1,997,986	1,187,041
Depreciable capital assets, net of accumulated depreciation	15,170,848	16,528,815
	<u>17,168,834</u>	<u>17,715,856</u>
Other Assets		
Beneficial interest in charitable trust	148,000	148,000
	<u>148,000</u>	<u>148,000</u>
Total assets	32,083,473	30,902,569
Deferred Outflows of Resources		
Pension related deferred outflows - Note 5	1,698,275	-
	<u>1,698,275</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 33,781,748</u>	<u>\$ 30,902,569</u>

See Notes to Financial Statements

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Statements of Net Position  
June 30, 2015 and 2014

	2015	2014
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt - Note 7	\$ 648,196	\$ 632,242
Accounts payable		
Trade	684,628	890,637
Construction	103,106	-
Estimated third-party payor settlements	944,000	-
Accrued expenses		
Salaries and wages	418,060	402,789
Vacation	650,897	632,680
Payroll taxes and other	202,946	219,978
Interest	15,570	-
Total current liabilities	3,667,403	2,778,326
<b>Noncurrent Liabilities</b>		
Deposits - Note 8	1,899,200	2,186,700
Long-term debt, less current maturities - Note 7	5,435,137	6,042,956
Net pension liability - Note 5	4,817,222	-
Total noncurrent liabilities	12,151,559	8,229,656
Total liabilities	15,818,962	11,007,982
<b>Deferred Inflows of Resources</b>		
Deferred revenue for succeeding year property tax receivable	1,052,813	1,018,605
Pension related deferred inflows - Note 5	1,853,479	-
Electronic health records incentive	274,237	548,474
Deferred revenue	135,572	120,168
Total deferred inflows of resources	3,316,101	1,687,247
<b>Net Position</b>		
Net investment in capital assets	9,186,301	8,853,958
Restricted		
Expendable for debt service	68,987	68,987
Nonexpendable beneficial interest in charitable trust	148,000	148,000
Unrestricted	5,243,397	9,136,395
Total net position	14,646,685	18,207,340
Total liabilities, deferred inflows of resources, and net position	\$ 33,781,748	\$ 30,902,569

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Net patient and resident service revenue (net of provision for bad debts of \$735,206 in 2015 and \$1,402,602 in 2014) - Note 2	\$ 21,486,240	\$ 20,618,059
Other operating revenues	<u>968,003</u>	<u>1,070,703</u>
Total operating revenues	<u>22,454,243</u>	<u>21,688,762</u>
Operating Expenses		
Salaries and wages	9,336,451	8,445,311
Supplies and other expenses	10,169,779	11,476,931
Depreciation and amortization	<u>2,173,205</u>	<u>2,093,078</u>
Total operating expenses	<u>21,679,435</u>	<u>22,015,320</u>
Operating Income (Loss)	<u>774,808</u>	<u>(326,558)</u>
Nonoperating Revenues (Expenses)		
County tax revenue	1,029,292	1,004,841
Noncapital grants and contributions	4,070	4,070
Investment income	58,104	49,168
Interest expense	(193,986)	(187,622)
Rental income	42,983	70,953
Loss on disposal of capital assets	<u>-</u>	<u>(4,138)</u>
Net nonoperating revenues	<u>940,463</u>	<u>937,272</u>
Change in Net Position	<u>1,715,271</u>	<u>610,714</u>
Net Position, Beginning of Year	18,207,340	17,596,626
Restatement - Note 12	<u>(5,275,926)</u>	<u>-</u>
Net Position Beginning of Year, as Restated	<u>12,931,414</u>	<u>17,596,626</u>
Net Position, End of Year	<u>\$ 14,646,685</u>	<u>\$ 18,207,340</u>



People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Statements of Cash Flows  
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Receipts from and on behalf of patients and residents	\$ 22,657,879	\$ 19,866,771
Other receipts	987,277	780,970
Payments to and on behalf of employees	(9,302,963)	(8,191,744)
Payments to suppliers and contractors	(10,981,342)	(10,835,738)
Net Cash from Operating Activities	3,360,851	1,620,259
Noncapital Financing Activities		
County tax revenue received	1,029,292	1,004,841
Noncapital grants and contributions received	4,070	4,070
Net Cash from Noncapital Financing Activities	1,033,362	1,008,911
Capital and Capital Related Financing Activities		
Purchase of capital assets	(1,523,077)	(1,241,301)
Proceeds from sale of capital assets	-	15,300
Proceeds from residency deposits	80,500	323,000
Payments of residency deposits	(368,000)	(286,425)
Payment of principal on debt	(591,865)	(592,663)
Payment of interest on debt	(178,416)	(187,622)
Net Cash used for Capital and Capital Related Financing Activities	(2,580,858)	(1,969,711)
Investing Activities		
(Increase) decrease in assets limited as to use or restricted	(22,401)	10,897
Investment income received	58,104	49,168
Rental income received	42,983	70,953
Net Cash from Investing Activities	78,686	131,018
Net Change in Cash and Cash Equivalents	1,892,041	790,477
Cash and Cash Equivalents at Beginning of Year	7,051,586	6,261,109
Cash and Cash Equivalents at End of Year	\$ 8,943,627	\$ 7,051,586

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Statements of Cash Flows  
Years Ended June 30, 2015 and 2014

	2015	2014
Reconciliation of Operating Income (Loss) to Net Cash from		
Operating Activities		
Operating income (loss)	\$ 774,808	\$ (326,558)
Adjustments to reconcile operating income (loss) to net cash		
from operating activities		
Depreciation	2,173,205	2,049,582
Amortization	-	43,496
Expense of non-capitalized construction in progress	-	806,034
Provision for bad debts	735,206	1,402,602
Changes in assets, deferred outflows, liabilities and deferred inflows		
Receivables	(758,697)	(1,679,812)
Estimated third-party payor settlements	1,199,000	(487,000)
Supplies	(34,158)	(3,695)
Prepaid expense	23,373	(246,356)
Trade accounts payable	(206,009)	21,564
Accrued expenses	16,456	317,213
Net pension liability	(1,174,787)	-
Deferred outflows of resources	(982,192)	-
Deferred inflows of resources	1,594,646	(276,811)
Net Cash from Operating Activities	\$ 3,360,851	\$ 1,620,259
Supplemental Disclosure of Noncash Capital and Capital Related		
Financing Activities		
Equipment financed through capital lease arrangements	\$ -	\$ 531,722
Supplemental Disclosure of Cash Flow Information		
Capital assets during the year financed through accounts		
payable	\$ -	\$ 382,936

## **Note 1 - Organization and Significant Accounting Policies**

The financial statements of People's Memorial Hospital, d/b/a Buchanan County Health Center (Health Center), have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital are described below.

### **Reporting Entity**

The Health Center, located in Independence, Iowa, is a 25-bed public hospital and a 39-bed nursing care center, organized under Chapter 347A of the Iowa Code and governed by a five member Board of Trustees elected for alternating terms of six years. The Health Center also operates an independent living center (Oak View), which develops housing facilities within the Independence, Iowa, area for retired individuals with a lifelong plan for independent living and dependent care.

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

The Health Center has no component units which meet the GASB criteria.

### **Measurement Focus and Basis of Accounting**

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

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

### **Basis of Presentation**

The statement of net position displays the Health Center'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 reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

*Restricted net position:*

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

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. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

#### **Use of Estimates**

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

#### **Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with an original maturity of one year or less, excluding internally designated or restricted cash and investments. For purposes of the statements of cash flows, the Health Center does not consider internally designated or restricted cash and investments as cash and cash equivalents.

#### **Patient and Resident Receivables**

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

Patient and resident accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Health Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients and residents who have third-party coverage, the Health Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

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

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

### **Property Tax Receivable**

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

Property tax revenue recognized by the Health Center becomes due and collectible in September and March of the fiscal year; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 2015, and reflects the tax asking contained in the budget certified by the County Auditor in March 2014.

### **Supplies**

Supplies are stated at lower of average cost or market and are expensed when used.

### **Assets Limited as to Use or Restricted**

Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Restricted funds are used to differentiate resources, the use of which is restricted by donors or grantors, from resources of general funds on which donors or grantors place no restriction or which arise as a result of the operations of the Health Center for its stated purposes. Restricted funds also include assets which are restricted by debt agreements.

### **Investment Income**

Interest on cash and deposits is included in nonoperating revenues when earned.

### **Pensions**

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

### **Capital Assets**

Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements. Interest expense incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

The estimated useful lives of capital assets are as follows:

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

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from revenues in excess of (less than) expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

### **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. The Health Center's 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. The Health Center's four items that qualify for reporting in this category are deferred revenue related to succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, deferred electronic health record incentive amounts that will be recognized as revenue ratably over the life of the qualifying assets, deferred nursing home charges which will be recognized in the month which the services are rendered, and unrecognized items not yet charged to pension expense.

### **Financing Costs**

Financing costs are expensed as incurred.

### **Compensated Absences**

Health Center employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The cost of projected vacation payouts is recorded as a current liability on the balance sheet based on pay rates that are in effect at June 30, 2015 and 2014.

### **Operating Revenues and Expenses**

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

### **Net Patient and Resident Service Revenue**

The Health Center has agreements with third-party payors that provide for payments to the Health Center at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

### **Charity Care and Community Benefits**

The Health Center provides care to patients and residents who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Health Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amounts of charges foregone for services provided under the Health Center's charity care policy were \$70,430 and \$131,564, for the years ended June 30, 2015 and 2014. Total direct and indirect costs related to these foregone charges were \$36,000 and \$75,000 at June 30, 2015 and 2014, based on an average ratio of cost to gross charges.

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

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

### **Electronic Health Record Incentive Payments**

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

#### *Medicare*

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

The Health Center recognizes Medicare EHR incentive payments as revenue when there is reasonable assurance the Health Center will comply with the conditions attached to the incentive payments. As the entire Medicare EHR incentive payment is received in a lump sum for critical access hospitals and the Health Center must annually attest to increasingly stringent meaningful use criteria, the Medicare EHR incentive payment is first recognized as a deferred revenue with a ratable recognition of revenue over the life of the qualifying assets.

#### *Medicaid*

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

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



### **Grants and Contributions**

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

### **Advertising Costs**

Costs incurred for producing and distributing advertising are expensed as incurred. The Health Center incurred \$140,550 and \$64,957 for advertising costs for the years ended June 30, 2015 and 2014.

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

As of July 1, 2014, the Health Center adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires government employers calculate and report the costs and obligations associated with pensions in their financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 12 and the additional disclosures required by these standards are included in Note 5.

### **Note 2 - Net Patient and Resident Service Revenue**

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

**Medicare:** The Health Center is licensed as a Critical Access Hospital (CAH). The Health Center is reimbursed for most inpatient and outpatient services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Health Center and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Health Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2012. Clinical services are paid on a cost basis or a fixed fee schedule.

**Medicaid:**

**Health Center:** Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology. The Health Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the Medicaid fiscal intermediary. The Health Center's Medicaid cost reports have been processed by the Medicaid fiscal intermediary through June 30, 2011.

**Nursing Care Center:** Routine services rendered to nursing care center residents who are beneficiaries of the Medicaid program are paid according to a schedule of prospectively determined daily rates.

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

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

	2015	2014
Medicare	43%	47%
Medicaid	12%	9%
Blue Cross	17%	19%
Other Commercial	20%	19%
Self-Pay	8%	6%
	100%	100%

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient and resident service revenue for the years ended June 30, 2015 and 2014, increased approximately \$289,000 and \$223,000 due to prior-year retroactive adjustments in excess of amounts previously estimated and years that are no longer subject to audits, reviews, and investigations.

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

**Note 3 - Deposits and Investments**

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

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

Investments reported are not subject to risk categorization. Amounts classified as investments in the financial statements are presented as deposits and investments in this note.

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

	2015	2014
Checking, Savings, and Money Market Accounts	\$ 8,690,047	\$ 6,118,207
Certificates of Deposit	1,327,462	1,980,731
Accrued Interest Receivable	2,383	6,512
	<u>\$ 10,019,892</u>	<u>\$ 8,105,450</u>

Included in the Following Statements of Net Position Captions:

Cash and Cash Equivalents	\$ 8,943,627	\$ 7,051,586
Assets Limited as to Use or Restricted	1,076,265	1,053,864
	<u>\$ 10,019,892</u>	<u>\$ 8,105,450</u>

Interest rate risk is the exposure to fair value losses resulting from rising interest rates. The primary objectives, in order of priority, of all investment activities involving the financial assets of the Health Center are:

1. Safety: Safety and preservation of principal in the overall portfolio.
2. Liquidity: Maintaining the necessary liquidity to match expected liabilities.
3. Return: Obtaining a reasonable return.

The Health Center attempts to limit its interest rate risk while investing within the guidelines of its investment policy and Chapter 12C of the Code of Iowa.

**Note 4 - Capital Assets**

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

	June 30, 2014 Balance	Additions	Transfers and Retirements	June 30, 2015 Balance
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 1,066,032	\$ -	\$ 246,472	\$ 1,312,504
Construction in progress	121,009	650,217	(85,744)	685,482
Total capital assets not being depreciated	<u>1,187,041</u>	<u>650,217</u>	<u>160,728</u>	<u>1,997,986</u>
<b>Capital Assets Being Depreciated</b>				
Land improvements	519,879	76,945	-	596,824
Buildings	21,880,016	326,891	(279,728)	21,927,179
Equipment	10,051,810	584,872	85,744	10,722,426
Total capital assets being depreciated	<u>32,451,705</u>	<u>988,708</u>	<u>(193,984)</u>	<u>33,246,429</u>
<b>Less Accumulated Depreciation for</b>				
Land improvements	323,813	22,590	-	346,403
Buildings	10,004,400	907,968	(20,512)	10,891,856
Equipment	5,594,677	1,242,645	-	6,837,322
Total accumulated depreciation	<u>15,922,890</u>	<u>2,173,203</u>	<u>(20,512)</u>	<u>18,075,581</u>
Total Capital Assets Being Depreciated, Net	<u>16,528,815</u>	<u>(1,184,495)</u>	<u>(173,472)</u>	<u>15,170,848</u>
Total Capital Assets, Net	<u>\$ 17,715,856</u>	<u>\$ (534,278)</u>	<u>\$ (12,744)</u>	<u>\$ 17,168,834</u>

Construction in progress at June 30, 2015, represents costs incurred to date for a bone densitometry machine that will be placed in service in October 2015, as well as preliminary costs incurred for two building projects – the hospital expansion project and the wound center project. The bone densitometry machine is anticipated to have a total cost of \$85,000 and will be funded with internal funds. The hospital expansion project, which has a total estimated cost of \$26,056,000, is anticipated to be completed during fiscal year 2017. This project will be funded with an \$18,056,000 United States Department of Agriculture (USDA) Direct Loan, a \$5,000,000 bank loan, and \$3,000,000 in internal funds. The wound center project, which has a total estimated cost of \$319,000, is anticipated to be completed in October 2015, and will be funded with internal funds.

People's Memorial Hospital  
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Notes to Financial Statements  
June 30, 2015 and 2014

The Health Center is committed to a lease for lab equipment which it started using in July 2015. Total payments over the life of the lease will be \$136,200.

	June 30, 2013 Balance	Additions	Transfers and Retirements	June 30, 2014 Balance
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 619,964	\$ 446,068	\$ -	\$ 1,066,032
Construction in progress	904,369	119,134	(902,494)	121,009
Total capital assets not being depreciated	<u>1,524,333</u>	<u>565,202</u>	<u>(902,494)</u>	<u>1,187,041</u>
<b>Capital Assets Being Depreciated</b>				
Land improvements	519,879	-	-	519,879
Buildings	21,879,879	53,572	(53,435)	21,880,016
Equipment	9,513,450	1,537,167	(998,807)	10,051,810
Total capital assets being depreciated	<u>31,913,208</u>	<u>1,590,739</u>	<u>(1,052,242)</u>	<u>32,451,705</u>
<b>Less Accumulated Depreciation for</b>				
Land improvements	301,210	22,603	-	323,813
Buildings	9,120,417	917,998	(34,015)	10,004,400
Equipment	5,580,963	1,108,981	(1,095,267)	5,594,677
Total accumulated depreciation	<u>15,002,590</u>	<u>2,049,582</u>	<u>(1,129,282)</u>	<u>15,922,890</u>
Total Capital Assets Being Depreciated, Net	<u>16,910,618</u>	<u>(458,843)</u>	<u>77,040</u>	<u>16,528,815</u>
Total Capital Assets, Net	<u>\$ 18,434,951</u>	<u>\$ 106,359</u>	<u>\$ (825,454)</u>	<u>\$ 17,715,856</u>

**Note 5 - Pension Plan**

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

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

*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, anytime 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 at any time after reaching age 50 with 22 or more years of covered employment. The formula to calculate a protection occupation members' monthly IPERS benefits includes:

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

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

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

*Disability and Death Benefits* - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement.

If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

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

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

The Health Center's contributions to IPERS for the year ended June 30, 2015 were \$810,487.

*Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2015, the Health Center reported a liability of \$4,817,222 for its proportionate share of the net pension liability. The Health Center's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Health Center's proportion of the net pension liability was based on the Health Center's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Health Center's collective proportion was 0.121466 percent, which was an increase of 0.017106 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Health Center recognized pension expense of \$506,986. At June 30, 2015, the Health Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual experience	\$ 52,476	\$ 1,010
Changes of Assumptions	213,090	24
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,852,445
Changes in Proportion and Differences Between Health Center Contributions and Proportionate Share of Contributions	622,222	-
Health Center Contributions Subsequent to the Measurement Date	<u>810,487</u>	<u>-</u>
Total	<u>\$ 1,698,275</u>	<u>\$ 1,853,479</u>

The \$810,487 reported as deferred outflows of resources related to pensions resulting from the Health Center's 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:

Years Ended June 30,		
2016	\$	(255,926)
2017		(255,926)
2018		(255,926)
2019		(255,926)
2020		58,013
	\$	(965,691)

There were no non-employer contributing entities at IPERS.

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

Rate of Inflation (Effective June 30, 2014)	3.00 percent
Salary increases (Effective June 30, 2010)	4.00 to 17.00 percent average, including inflation. Rates vary by membership group.
Investment rate of return (Effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan, investment expense, including inflation

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

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



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

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

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

*Sensitivity of the Health Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following presents the Health Center's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Health Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Health Center's Proportionate Share of the Net Pension Liability	\$ 9,135,008	\$ 4,817,222	\$ 1,172,594

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

*Payables to the Pension Plan* - At June 30, 2015, the Health Center reported payables to the defined benefit pension plan of \$91,489 for legally required employer contributions and \$37,637 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 6 - Lease Obligations**

The Health Center leases certain equipment under noncancelable long-term lease agreements. Certain leases have been recorded as capitalized leases and others as operating leases. Total lease expense for all operating leases for the years ended June 30, 2015 and 2014 was \$216,259 and \$178,173. The capitalized leased assets consist of:

	2015	2014
Equipment	\$ 531,723	\$ 531,723
Less Accumulated Amortization	(159,517)	(53,172)
	\$ 372,206	\$ 478,551

Minimum future lease payments for the capital lease is as follows:

Years Ending June 30,	
2016	\$ 114,652
2017	114,652
2018	114,652
2019	105,098
Total Minimum Lease Payments	449,054
Less interest	(25,877)
Present Value of Minimum Lease Payments - Note 7	\$ 423,177

**Note 7 - Long-Term Debt**

A summary of changes in the Health Center's long-term debt for the years ended June 30, 2015 and 2014 is as follows:

	June 30, 2014 Balance	Additions	Payments	June 30, 2015 Balance	Amounts Due Within One Year
2.95% hospital promissory note, Payable to Bank Iowa, due in monthly installments of \$19,315, through April 1, 2018, with balloon payment in 2018	\$ 1,780,610	\$ -	\$ 165,889	\$ 1,614,721	\$ 185,884
0% hospital promissory note, payable to Independence Light & Power, due in monthly installments of \$4,285, through August 15, 2017	162,858	-	51,429	111,429	51,429
Hospital revenue note, series 2004, maturity date of May 1, 2025, interest only payments through August 1, 2006, with principal payments starting September 1, 2006 (A)	3,181,229	-	237,357	2,943,872	265,157
Hospital revenue note, series 2009, maturity date of November 1, 2030, interest only payments through April 1, 2011 (B)	1,027,005	-	36,871	990,134	42,356
Capitalized lease obligation - Note 6	523,496	-	100,319	423,177	103,370
	\$ 6,675,198	\$ -	\$ 591,865	6,083,333	\$ 648,196
Less Current Maturities				(648,196)	
Long-Term Debt, Less Current Maturities				\$ 5,435,137	

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Notes to Financial Statements  
June 30, 2015 and 2014

	June 30, 2013 Balance	Additions	Payments	June 30, 2014 Balance	Amounts Due Within One Year
2.95% hospital promissory note, payable to Bank Iowa, due in monthly installments of \$19,315, through April 1, 2018, with balloon payment in 2018	\$ 1,956,261	\$ -	\$ 175,651	\$ 1,780,610	\$ 180,976
0% hospital promissory note, payable to Independence Light & Power, due in monthly installments of \$4,285 through August 15, 2017	214,287	-	51,429	162,858	51,429
Hospital revenue note, series 2004, maturity date of May 1, 2025, interest only payments through August 1, 2006, with principal payments starting September 1, 2006 (A)	3,434,090	-	252,861	3,181,229	259,204
Hospital revenue note, series 2009, maturity date of November 1, 2030, interest only payments through April 1, 2011 (B)	1,065,204	-	38,199	1,027,005	40,314
Capitalized lease obligation - Note 6	<u>66,297</u>	<u>531,722</u>	<u>74,523</u>	<u>523,496</u>	<u>100,319</u>
	<u>\$ 6,736,139</u>	<u>\$ 531,722</u>	<u>\$ 592,663</u>	6,675,198 <u>(632,242)</u>	<u>\$ 632,242</u>
Less Current Maturities					
Long-Term Debt, Less Current Maturities				<u>\$ 6,042,956</u>	

- (A) The interest rate on this note is 2.48%. According to the loan documents, in December 2018 (interest rate adjustment date), the rate will adjust to a rate equal to 102% of the Federal Home Loan Bank Eighth District Seven-Year Fixed Rate Advance as posted on the Federal Home Loan Bank of Des Moines website.
- (B) Principal and interest payments on this note were due at a rate of 5.4% until November 1, 2014. On November 1, 2014, the rate was reduced to 4.75% and will remain at 4.75% until the next rate adjustment on November 1, 2019. The interest rate adjustment is based on a fixed rate per annum equal to the average of the Federal Home Loan Bank Eleventh District Five-Year Advance Rate for the week immediately preceding an interest rate adjustment date as published by the Federal Home Loan Bank Board plus 225 basis points. The rate shall in no event be less than 4.75% per annum.

Long-term debt maturities are as follows:

Years Ending June 30,	Principal	Interest	Total
2016	\$ 648,196	\$ 179,644	\$ 827,840
2017	666,096	161,743	827,839
2018	1,681,318	138,078	1,819,396
2019	438,940	96,136	535,076
2020	345,322	84,656	429,978
2021-2025	1,859,576	262,383	2,121,959
2026-2030	405,440	68,624	474,064
2031	38,445	529	38,974
	<u>\$ 6,083,333</u>	<u>\$ 991,793</u>	<u>\$ 7,075,126</u>

Substantially all of the outstanding debt is secured by the net revenues of the Health Center.

#### **Note 8 - Deposits**

The Health Center enters into residency agreements with the tenants of the Oak View independent living units. At the time a residency agreement is signed, the tenant must pay the full amount of an entrance payment. Prior to July 1, 2000, Oak View recognized 10% of the entrance payment as income in the year the residency agreement was entered into. The remaining 90% of the entrance payment is fully refundable upon termination of the residency agreement, regardless of the number of years a tenant occupies a unit. From July 1, 2000 through June 30, 2012, 20% of the entrance payment is recognized as income, and the remaining 80% of the entrance payment is fully refundable upon termination. As of July 1, 2012, 30% of the entrance payment is recognized as income, and the remaining 70% of the entrance payment is fully refundable upon termination. The refundable amounts are shown as deposits under noncurrent liabilities on the balance sheet.

#### **Note 9 - Concentration of Credit Risk**

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

	2015	2014
Medicare	39%	38%
Medicaid	8%	6%
Blue Cross	19%	10%
Commerical Insurance	14%	23%
Other Third-Party Payors, Patients, and Residents	20%	23%
	<u>100%</u>	<u>100%</u>

## **Note 10 - Contingencies**

### **Risk Management**

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

### **Malpractice Insurance**

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

### **Litigation, Claims, and Disputes**

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

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

The Health Center is currently investigating a compliance issue occurring in the normal course of its business. As the Health Center is currently in the discovery stage of this process, no potential liability has been accrued as of June 30, 2015.

**Note 11 - Electronic Health Record Incentive Payments**

The Health Center attested as a meaningful user of Electronic Health Records (EHR). Accordingly, the Health Center received a lump sum incentive payment related to Medicare EHR. The Health Center is recognizing the deferred inflow ratably over the life of the related qualifying assets. As a result, the Health Center recognized revenue of \$274,237 and \$264,731 for the years ended June 30, 2015 and 2014, by recognizing the incentive payment and amortizing the deferred inflow into other operating revenue. The remaining deferred inflow of \$274,237 related to EHR incentive payments at June 30, 2015, will be recognized as income over the remaining life of the related assets.

The Health Center recognized revenue of \$17,900 and \$35,800 for the years ended June 30, 2015 and 2014 related to Medicaid EHR incentive payments received. The incentive payments are included in other operating revenue in the accompanying financial statements. The Health Center has received a total of \$89,500 of Medicaid EHR as of June 30, 2015. This represents 100% of the potential benefit to be received from the State of Iowa Medicaid program.

**Note 12 - Adoption of Accounting Standards**

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

	Net Position
Net Position June 30, 2014, as Previously Reported	\$ 18,207,340
Net Pension Liability at June 30, 2014	(5,992,009)
Deferred Outflows of Resources Related to Contributions Made After June 30, 2013 Measurement Date	716,083
Net Position July 1, 2014 as Restated	\$ 12,931,414



Required Supplementary Information  
June 30, 2015





People's Memorial Hospital  
d/b/a Buchanan County Health Center

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

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	Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Adopted Budget	Variance Favorable (Unfavorable)
Estimated Amount to be					
Raised by Taxation	\$ 1,029,292	\$ -	\$ 1,029,292	\$ 1,018,605	\$ 10,687
GASB 68 Adjustment	(5,275,926)	5,275,926	-	-	-
Estimated Other					
Revenues/Receipts	<u>22,559,400</u>	<u>1,190,913</u>	<u>23,750,313</u>	<u>31,328,908</u>	<u>(7,578,595)</u>
	18,312,766	6,466,839	24,779,605	32,347,513	(7,567,908)
Expenses/Disbursements	<u>21,873,421</u>	<u>991,742</u>	<u>22,865,163</u>	<u>32,709,849</u>	<u>9,844,686</u>
Net	(3,560,655)	5,475,097	1,914,442	(362,336)	<u>\$ 2,276,778</u>
Balance, Beginning of Year	<u>18,207,340</u>	<u>(10,101,890)</u>	<u>8,105,450</u>	<u>5,123,183</u>	
Balance, End of Year	<u>\$ 14,646,685</u>	<u>\$ (4,626,793)</u>	<u>\$ 10,019,892</u>	<u>\$ 4,760,847</u>	

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

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

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

**People's Memorial Hospital**  
**d/b/a Buchanan County Health Center**  
 Schedule of the Health Center's Proportionate Share of the Net Pension Liability  
 Required Supplementary Information  
 Year Ended June 30, 2015

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	2015
Health Center's Proportion of the Net Pension Liability	0.121466%
Health Center's Proportionate Share of the Net Pension Liability	\$ 4,817,222
Health Center's Covered-Employee Payroll	\$ 8,122,856
Health Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	59.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%

The amounts reported are measured as of June 30, 2014 (measurement date).

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

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	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily Required Contribution	\$ 810,487	\$ 725,371	\$ 595,514	\$ 546,645
Contributions in Relation to the Statutorily Required Contribution	<u>(810,487)</u>	<u>(725,371)</u>	<u>(595,514)</u>	<u>(546,645)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Health Center's Covered-Employee Payroll	\$ 9,076,002	\$ 8,122,856	\$ 6,868,674	\$ 6,773,792
Contributions as a Percentage of Covered-Employee Payroll	8.93%	8.93%	8.67%	8.07%

**People's Memorial Hospital**  
**d/b/a Buchanan County Health Center**  
 Schedule of the Health Center's Contributions – Last 10 Fiscal Years  
 Required Supplementary Information  
 Year Ended June 30, 2015

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 449,353	\$ 420,674	\$ 372,209	\$ 351,204	\$ 329,395	\$ 343,943
<u>(449,353)</u>	<u>(420,674)</u>	<u>(372,209)</u>	<u>(351,204)</u>	<u>(329,395)</u>	<u>(343,943)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,465,511	\$ 6,325,925	\$ 5,861,559	\$ 5,805,025	\$ 5,728,609	\$ 5,981,617
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

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

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

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

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

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

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

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

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

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

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 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.



Supplementary Information  
June 30, 2015 and 2014





## Independent Auditor's Report on Supplementary Information

The Board of Trustees  
People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Independence, Iowa

We have audited the financial statements of People's Memorial Hospital, d/b/a Buchanan County Health Center (Health Center), as of and for the years ended June 30, 2015 and 2014, and our report thereon dated August 19, 2015, which expressed an unmodified opinion on those financial statements, appears on pages 2 and 3. Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of net patient and resident service revenue, other operating revenues, operating expenses, patient and resident receivables, collection statistics, supplies and prepaid expense, insurance, and statistical information are presented for the purposes of additional analysis and are not a required part of the financial statements. The schedules of net patient and resident service revenue, other operating revenues, operating expenses, and supplies and prepaid expense are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of net patient and resident service revenue, other operating revenues, operating expenses, and supplies and prepaid expense are fairly stated in all material respects in relation to the financial statements as a whole. The schedules of patient and resident receivables, collection statistics, insurance, and statistical information have not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa  
August 19, 2015



People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Net Patient and Resident Service Revenue  
Years Ended June 30, 2015 and 2014

	2015	2014
Patient and Resident Service Revenue		
Routine services - hospital	\$ 2,355,047	\$ 2,250,993
Routine services - nursing care center	2,544,561	2,354,529
Operating and recovery rooms	4,203,538	3,774,726
Central services and supply	1,581,021	1,569,073
Emergency services	8,110,640	7,304,310
Laboratory and blood bank	5,035,563	5,181,881
Cardiac rehab	180,698	212,261
Electrocardiology	557,535	459,103
Sleep studies	391,923	339,211
Radiology	8,423,171	7,102,095
Pharmacy	2,780,473	2,547,282
Anesthesiology	1,014,085	985,063
Respiratory therapy	454,463	349,987
Physical therapy	2,461,466	2,055,859
Occupational therapy	266,056	230,354
Speech therapy	127,974	148,965
	40,488,214	36,865,692
Charity care (charges foregone)	(70,430)	(131,564)
	\$ 40,417,784	\$ 36,734,128
Total patient and resident service revenue*		
* Total Patient and Resident Service Revenue - Reclassified		
Inpatient revenue	\$ 7,638,961	\$ 7,188,326
Outpatient revenue	32,849,253	29,677,366
Charity care (charges foregone)	(70,430)	(131,564)
Total patient and resident service revenue	40,417,784	36,734,128
Contractual Adjustments	(18,106,456)	(14,678,733)
Policy Discounts	(89,882)	(34,734)
Net Patient and Resident Service Revenue	22,221,446	22,020,661
Provision for Bad Debts	(735,206)	(1,402,602)
Net Patient and Resident Service Revenue (Net of Provision for Bad Debts)	\$ 21,486,240	\$ 20,618,059

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Other Operating Revenues  
Years Ended June 30, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
Other Operating Revenues		
Medicare and Medicaid EHR incentive revenue	\$ 292,137	\$ 300,531
Independent Living Center	281,163	402,933
Wellness Center fees	223,429	216,234
Outpatient clinic	86,062	77,750
Cafeteria	52,693	40,780
Grants	21,193	14,742
Other	11,326	17,733
	<u>          </u>	<u>          </u>
Total Other Operating Revenues	<u>\$ 968,003</u>	<u>\$ 1,070,703</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Operating Expenses  
Years Ended June 30, 2015 and 2014

	2015	2014
Nursing Administration		
Salaries and wages	\$ 169,906	\$ 130,288
Supplies and other expenses	3,291	4,055
	<u>173,197</u>	<u>134,343</u>
Routine Nursing Services		
Salaries and wages	2,202,098	2,060,255
Supplies and other expenses	173,638	209,356
	<u>2,375,736</u>	<u>2,269,611</u>
Social Services		
Salaries and wages	118,221	103,902
Supplies and other expenses	642	461
	<u>118,863</u>	<u>104,363</u>
Operating and Recovery Rooms		
Salaries and wages	575,590	461,001
Supplies and other expenses	398,257	323,550
	<u>973,847</u>	<u>784,551</u>
Central Services and Supply		
Salaries and wages	92,143	77,414
Supplies and other expenses	235,254	255,229
	<u>327,397</u>	<u>332,643</u>
Emergency Services		
Salaries and wages	826,121	704,796
Supplies and other expenses	1,290,479	1,254,799
	<u>2,116,600</u>	<u>1,959,595</u>
Laboratory and Blood Bank		
Salaries and wages	398,675	351,933
Supplies and other expenses	586,823	657,723
	<u>985,498</u>	<u>1,009,656</u>
Electrocardiology		
Supplies and other expenses	17,847	12,510
Sleep Studies		
Supplies and other expenses	83,945	73,101
Radiology		
Salaries and wages	572,784	493,644
Supplies and other expenses	434,504	417,504
	<u>1,007,288</u>	<u>911,148</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Operating Expenses  
Years Ended June 30, 2015 and 2014

	2015	2014
Pharmacy		
Salaries and wages	\$ 204,528	\$ 188,554
Supplies and other expenses	738,426	647,661
	<u>942,954</u>	<u>836,215</u>
Anesthesiology		
Supplies and other expenses	<u>365,877</u>	<u>370,145</u>
Respiratory Therapy		
Salaries and wages	120,216	104,846
Supplies and other expenses	18,235	36,240
	<u>138,451</u>	<u>141,086</u>
Physical Therapy		
Salaries and wages	785,227	724,103
Supplies and other expenses	96,184	44,402
	<u>881,411</u>	<u>768,505</u>
Speech Therapy		
Supplies and other expenses	<u>67,921</u>	<u>64,679</u>
Occupational Therapy		
Supplies and other expenses	<u>117,450</u>	<u>93,429</u>
Independent Living		
Salaries and wages	95,058	88,670
Supplies and other expenses	52,529	52,130
	<u>147,587</u>	<u>140,800</u>
Outpatient Clinic		
Salaries and wages	129,590	108,528
Supplies and other expenses	7,390	19,296
	<u>136,980</u>	<u>127,824</u>
Community Care		
Supplies and other expenses	<u>-</u>	<u>116</u>
Medical Records		
Salaries and wages	329,992	324,637
Supplies and other expenses	61,029	72,873
	<u>391,021</u>	<u>397,510</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Operating Expenses  
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Dietary		
Salaries and wages	\$ 401,423	\$ 358,373
Supplies and other expenses	312,681	272,114
	<u>714,104</u>	<u>630,487</u>
Plant Operation and Maintenance		
Salaries and wages	336,670	299,004
Supplies and other expenses	780,826	837,739
	<u>1,117,496</u>	<u>1,136,743</u>
Housekeeping		
Salaries and wages	382,402	339,451
Supplies and other expenses	58,977	57,205
	<u>441,379</u>	<u>396,656</u>
Laundry and Linen		
Salaries and wages	29,213	26,012
Supplies and other expenses	147,617	144,318
	<u>176,830</u>	<u>170,330</u>
Administrative Services		
Salaries and wages	1,566,594	1,499,900
Supplies and other expenses	1,213,288	2,624,783
	<u>2,779,882</u>	<u>4,124,683</u>
Unassigned Expenses		
Depreciation and amortization	2,173,205	2,093,078
Insurance	137,192	103,211
Employee benefits	2,769,477	2,828,302
	<u>5,079,874</u>	<u>5,024,591</u>
Total Operating Expenses	<u>\$ 21,679,435</u>	<u>\$ 22,015,320</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Patient and Resident Receivables and Collection Statistics (Unaudited)  
June 30, 2015 and 2014

**Analysis of Aging**

<u>Days Since Discharge</u>	2015		2014	
	Amount	Percent to Total	Amount	Percent to Total
0 - 30 Days	\$ 3,964,461	62.45%	\$ 3,642,677	55.63%
1 - 2 Months	1,318,902	20.78%	1,301,558	19.88%
2 - 3 Months	406,760	6.41%	486,265	7.43%
3 - 6 Months	149,700	2.36%	263,327	4.02%
6 - 12 Months	79,582	1.25%	183,086	2.80%
Over 12 Months	428,706	6.75%	671,138	10.24%
	6,348,111	100.00%	6,548,051	100.00%
Less: Allowance for Doubtful Accounts	870,312		1,202,937	
Allowance for Contractual Adjustments	2,279,920		2,190,000	
Net	\$ 3,197,879		\$ 3,155,114	

**Collection Statistics**

	2015	2014
Net accounts receivable - patients and residents	\$ 3,197,879	\$ 3,155,114
Number of days charges outstanding (1)	52	51
Uncollectible accounts (2)	\$ 844,524	\$ 1,554,320
Percentage of uncollectible accounts to total charges	2.1%	4.2%

(1) Based on average daily net patient and resident service revenue for April, May, and June.

(2) Includes provision for bad debts, charity care, and collection fees.

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Supplies and Prepaid Expense  
June 30, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
Supplies		
Pharmacy	\$ 130,135	\$ 117,994
Central stores	86,745	61,746
Dietary	<u>13,603</u>	<u>16,585</u>
Total	<u>\$ 230,483</u>	<u>\$ 196,325</u>
Prepaid Expense		
Insurance	\$ 210,481	\$ 250,417
Other	<u>43,821</u>	<u>27,258</u>
Total	<u>\$ 254,302</u>	<u>\$ 277,675</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedule of Insurance in Force at June 30, 2015 (Unaudited)

Company Policy Number	Description	Amount of Coverage	Annual Premium	Expiration Date
Chubb #36030519	Building and contents Blanket earnings and expense Earthquake	\$ 46,080,520 \$ 22,107,736 \$ 5,000,000	\$ 40,803	6/1/16
LMC #82428237	Employee dishonesty	\$ 500,000	\$ 2,547	6/1/16
Chubb #097169589468001C	Auto liability Medical payments	\$ 1,000,000 \$5,000 / 10,000	\$ 4,743	6/1/16
MMIC #MHP000402	Professional liability	\$ 1,000,000 / \$ 3,000,000	\$ 16,797	6/1/16
#MHP000402	General liability	\$ 1,000,000 / \$ 3,000,000	\$ 1,829	6/1/16
#MHP000402	Umbrella excess liability	\$ 4,000,000	\$ 8,865	6/1/16
United Heartland #2000010019	Worker's compensation	\$ 500,000	\$ 185,040	4/1/16
LMC #82428237	Directors' and officers' liability	\$ 2,000,000	\$ 12,213	6/1/16



People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Statistical Information (Unaudited)  
Years Ended June 30, 2015 and 2014

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	2015	2014
Patient Days		
Hospital		
Acute	836	864
Swing-bed	986	816
Nursing Care Center	13,494	13,041
 Number of Beds		
Hospital	25	25
Nursing Care Center	39	39
 Percentage of Occupancy		
Hospital	20%	18%
Nursing Care Center	95%	92%
 Discharges		
Hospital		
Acute	240	242
Swing-bed	93	82
Nursing Care Center	23	28
 Average Length of Stay		
Hospital		
Acute	3.5	3.6
Swing-bed	10.6	10.0
Nursing Care Center	587	466



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

The Board of Trustees  
People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Independence, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of People's Memorial Hospital, d/b/a Buchanan County Health Center (Health Center), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated August 19, 2015.

**Internal Control Over Financial Reporting**

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

Our consideration of the 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, two of which we consider to be material weaknesses and one which we consider to be 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 Health Center's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 2015-A and 2015-B to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings and Responses as item 2015-C to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Health Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

### **Health Center's Responses to Findings**

The Health Center's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Health Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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 results of that testing, and not to provide an opinion on the effectiveness of the Health Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dubuque, Iowa  
August 19, 2015

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

**Material Weaknesses:**

**2015-A Preparation of Financial Statements and Audit Adjustments**

**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** – People's Memorial Hospital, d/b/a Buchanan County Health Center, does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by GAAP. In conjunction with completion of our audit, we were requested to draft the financial statements and accompanying notes to the financial statements. Also, numerous adjusting journal entries were proposed and made to the financial statements during the audit.

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

**Effect** – The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Health Center. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting. Accordingly, interim financial statements may be misstated due to the significant number of adjusting journal entries at year end.

**Recommendation** – It is the responsibility of Health Center management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally and reconcile all accounts, and make any necessary adjustments, on a regular basis.

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

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

**2015-B Monthly Account Reconciliation**

**Criteria** – Reconciliation of general ledger accounts on a monthly basis is essential to prepare reliable financial statements. Furthermore, reconciliations serve as an internal control over financial reporting and the safeguarding of assets.

Accurate reconciliation and review of all balance sheet accounts are essential in preparing reliable financial statements.

**Condition** – We noted various balance sheet general ledger accounts that were not reconciled during the year or at year end to supporting documentation. Several entries were made during our audit to adjust balance sheet accounts to their proper balances. These accounts included capital assets, inventory, long-term debt, accounts payable, and prepaid insurance. We also noted certain accounts in which a detail was not readily available.

**Cause** – An internal review process that verifies the accuracy of general ledger account balances on a monthly basis was not implemented. Therefore, journal entries were necessary during the audit to adjust these accounts to their proper balances.

**Effect** – Failure to regularly review and reconcile these accounts can result in errors on the interim financial statements and represents a weakness in internal control in the accounting system. Significant entries were proposed during the audit to adjust year-end account balances.

**Recommendation** – All general ledger accounts must be reconciled and reviewed monthly. Furthermore, the Chief Financial Officer should review and approve reconciliations prepared by the accounting staff to ensure that the reconciliations are completed regularly and are accurate. This will help to ensure that significant entries are made as necessary on a timely basis. Staff should also ensure that each balance sheet account has a detailed listing or reconciliation that agrees to the ending balance.

**Response** – Management agrees with the finding. The Health Center's accounting staff and Chief Financial Officer will work collectively on reconciling, reviewing and approving all balance sheet account reconciliations on a regular basis.

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

**Significant Deficiency:**

**2015-C Segregation of Duties**

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

**Condition** – Certain employees perform duties that are incompatible.

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

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

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

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

**Response** – Management agrees with the finding and has reviewed the operating procedures of People's Memorial Hospital, d/b/a Buchanan County Health Center. Due to the limited number of office employees, management will continue to monitor the Health Center's operations and procedures. Furthermore, we will continually review the assignment of duties to obtain the maximum internal control possible under the circumstances.

**Part II: Other Findings Related to Required Statutory Reporting:**

- 2015-IA-A Certified Budget** – Disbursements during the year ended June 30, 2015, did not exceed the amount budgeted.
- 2015-IA-B Questionable Expenditures** – We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- 2015-IA-C Travel Expense** – No expenditures of Health Center money for travel expenses of spouses of Health Center officials and/or employees were noted.
- 2015-IA-D Business Transactions** – We noted no material transactions between the Health Center and Health Center officials and/or employees.
- 2015-IA-E Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2015-IA-F Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Health Center’s investment policy were noted.