Ringgold County Hospital
Mount Ayr, Iowa

Basic Financial Statements and Supplementary Information
June 30, 2017 and 2016

Together with Independent Auditor's Report

Ringgold County Hospital

Table of Contents

Ringgold County Hospital

Officials
June 30, 2017

Name	Title	Term Expires
Board of Trustees, Executive Committee:		
Kathi Braby	Chairperson	December 2022
Vicki Sickels	Vice-Chairperson	December 2022
Michael Hopkins	Secretary/Treasurer	December 2018
Board of Trustees, Members:		
Greg Jobe	Member	December 2020
Karleen Stephens	Member	December 2022
Contessa Barnes	Member	December 2020
David Drew	Member	December 2020
Hospital Officials:		
Gordon W. Winkler	Administrator/Chief Executive Officer	Indefinite
Teresa Roberts	Chief Financial Officer	Indefinite

SEIM JOHNSON

Independent Auditor's Report

To the Board of Trustees
Ringgold County Hospital
Mount Ayr, Iowa:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Seim Johnson, LLP › 18081 Burt Street, Suite 200 › Omaha, NE 68022-4722 › Tel: 402.330.2660 › Fax: 402.330.5108 › SeimJohnson.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 8), budgetary comparison information (page 30), the schedule of the Hospital's proportionate share of the net pension liability (page 31), and the schedule of the Hospital contributions (pages 32 and 33) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The supplementary information (Exhibits 1-5) is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information (Exhibits 1-5) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information (Exhibits 1-5) is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2017 on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Hospital's internal control over financial reporting and compliance.

SEIM JOHNSON, LLP.

Omaha, Nebraska,
October 16, 2017.

Introduction

This management's discussion and analysis of Ringgold County Hospital's (the "Hospital") financial performance provides an overview of the Hospital's financial activities for the fiscal years ended June 30, 2017 and 2016. This discussion and analysis should be read in conjunction with the accompanying financial statements.

Financial Highlights

- Cash and cash equivalents and short-term investments increased in 2017 by $943,013 or 51% and increased in 2016 by $276,782 or 18%.
- The Hospital's net position increased in 2017 by $48,619 or 1% and decreased in 2016 by $283,632 or 5%.
- The Hospital reported operating losses in 2017 of $226,963 and in 2016 of $397,207. The operating loss in 2017 decreased $170,244 over 2016 and the operating loss in 2016 increased $394,258 from the operating loss report in 2015. Decreases in interest expense from refinancing the Series 2008A/B Bonds positively impacted the operating loss in 2017. Net patient service revenue increased due to increased volumes. One time operating costs of $409,355 for the demolition of the old hospital and clinic building and the addition of two new family practice providers are included in 2016.
- The Hospital continued a performance improvement plan initiated in fiscal year 2014 to address declining revenue and increasing expenses and to track the implementation of new services that had been identified as a need in the community.

Using This Annual Report

The Hospital's financial statements consist of three statements - a statement of net position; a statement of revenue, expenses, and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position and Statement of Revenue, Expenses and Changes in Net Position

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenue, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, deferred inflows and outflows, and all liabilities using the accrual basis of accounting. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in them. You can think of the Hospital's net position - the difference between assets, deferred inflows and outflows, and liabilities, as one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statement of Cash Flows

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

The Hospital's Net Position

The Hospital's net position is the difference between its assets, deferred inflows and outflows, and liabilities reported in the statement of net position. Decreases in interest expense from refinancing the Series 2008A/B Bonds positively impacted the operating loss in 2017. The Hospital's net position increased by $48,169 or 1% in 2017 compared to a decrease by $283,632 or 5% in as shown in Table 1 below.

Table 1: Condensed Statements of Net Position

	2017	2016	2015
Assets:			
Cash and cash equivalents	$ 2,779,367	1,836,354	1,559,572
Short-term investments	270,009	270,009	270,009
Assets limited as to use or restricted	82,864	439,227	435,371
Patient accounts receivable, net	1,716,136	2,034,398	2,901,642
Other current assets	2,594,033	2,073,980	2,122,833
Capital assets, net	13,225,683	14,468,933	15,707,715
Other non current assets	1,373,401	1,421,614	1,346,374
Total assets	22,041,493	22,544,515	24,343,516
Deferred Outflows of Resources:			
Pension related deferred outflows	1,924,489	1,583,300	483,349
Deferred loss on advance refunding, net	1,710,579	--	--
Total deferred outflows of resources	3,635,068	1,583,300	483,349
Total assets and deferred outflows of resources	$ 25,676,561	24,127,815	24,826,865
Liabilities:			
Long-term debt	$ 22,469,396	21,330,590	21,669,495
Other current and non current liabilities	2,789,111	2,944,951	3,913,072
Net pension liability	5,564,709	4,105,890	3,001,745.00
Total liabilities	30,823,216	28,381,431	28,584,312
Deferred Inflows of Resources:			
Unavailable property tax revenue	1,280,472	1,280,472	1,280,472
Pension related deferred inflows	72,143	1,013,801	1,226,338.00
Total deferred inflows of resources	1,352,615	2,294,273	2,506,810
Net Position:	(6,499,270)	(6,547,889)	(6,264,257)
Total liabilities, deferred inflows of resources and net position	$ 25,676,561	24,127,815	24,826,865

Year ended June 30, 2017: In 2017, capital assets, net, decreased $1,243,250 due to the Hospital purchasing $419,149 in capital assets and recording $1,645,951 of depreciation expense during the fiscal year. Cash reserves increased in 2017 by $943,013 or 51% over 2016. Increased cash flow from net patient service revenue (and corresponding reductions in accounts receivables) as well as decreased interest expense resulted in the increase in cash reserves.

Year ended June 30, 2016: In 2016 capital assets, net, decreased $1,238,782 primarily due to the Hospital purchasing $432,822 in capital assets and recording $1,645,344 of depreciation expense during the fiscal year. Cash reserves increased in 2016 by $276,782 or 18% over 2015. A 5% increase in net patient revenue provided the increased cash flow for the year. Other noncurrent assets, consisting of assets limited as to use and assets managed by the South Central Iowa Community Foundation increased by $75,240 or 6% over 2015. In addition, accounts receivable decreased $867,244 or 30% over 2015 with the increased patient revenue.

Due to the nature of cost-based reimbursement under the CMS Critical Access Hospital program and the methods used to calculate interim rates, the Hospital was over-paid by Medicare which results in a payable due from the Medicare program which resulted in a net decrease in estimated third-party payor liabilities of $464,341 over 2016.

Operating Results and Changes in the Hospital's Net Position

The following shows the changes in net position of the Hospital:

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

	2017	2016	2015
Operating revenue:			
Net patient service revenue before provision for bad debt	$ 18,421,767	17,270,430	16,522,533
Provision for bad debt	(330,959)	(132,138)	(251,662)
Other operating revenue	547,612	564,577	339,743
Total operating revenue	18,638,420	17,702,869	16,610,614
Operating expenses:			
Salaries and employee benefits	9,585,526	9,253,464	7,734,558
Contract labor/services	2,004,165	1,649,104	1,548,526
Fees - other services	2,458,092	2,056,838	2,056,323
Supplies	1,592,723	1,595,566	1,752,585
Facility costs	328,215	715,723	285,812
Repairs and maintenance - other	529,514	476,078	439,878
Equipment lease/rentals	145,332	144,551	102,345
Insurance	233,537	218,497	178,801
Depreciation	1,645,951	1,645,344	2,196,262
Other	342,328	344,911	318,473
Total operating expenses	18,865,383	18,100,076	16,613,563
Operating loss	(226,963)	(397,207)	(2,949)
Nonoperating revenue (expense):			
Interest expense, including amortization on advance refunding	(1,087,650)	(1,269,841)	(1,286,525)
County tax revenue	1,287,850	1,291,359	1,286,458
Investment income, net	18,573	36,856	19,606
Other nonoperating revenue	56,809	40,278	59,276
Total nonoperating revenue, net	275,582	98,652	78,815
Excess expenses over (under) revenue before capital grants and contributions	48,619	(298,555)	75,866
Capital grants and contributions	--	14,923	17,641
Increase (decrease) in net position	48,619	(283,632)	93,507
Net position, beginning of year	(6,547,889)	(6,264,257)	(6,357,764)
Net position, end of year	$ (6,499,270)	(6,547,889)	(6,264,257)

Operating Losses

The first component of the overall change in the Hospital's net position is its operating gain or loss—generally, the difference between net patient service and other operating revenue and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported an operating loss. Operating losses in 2017 decreased by $170,244. Operating losses in 2016 increased by $394,258 more than the loss reported in 2015.

The primary components impacting operating loss are as follows:

- In fiscal year 2017, net patient revenue increased by $1,151,337 or 7% over 2016. Increased patient volumes and a full year of rural health clinic designation of the Mount Ayr Medical Clinic improved the overall net patient service revenue. Operating expenses increased $765,307 or 4% over fiscal year 2016. An increase of $332,062 in salaries and benefits was a result of a couple new positions, normal payroll increases and expansion of the benefit package for employees as a retention strategy. Contract labor increased with a change in emergency room coverage to almost 100% contracted physicians. Fees from other services increased due to increased patient volumes for contracted diagnostic testing services. Facility costs decreased $387,508 as there were one-time demolition expenses in 2016 related the old hospital and clinic building.

- In fiscal year 2016, net patient revenue increased $747,897 or 5% over 2015. Increased patient volumes, introduction of oncology clinic services and a change in Medicare and Medicaid reimbursement for services provided in the Mount Ayr Medical Clinic from provider-based clinic to provider-based rural health clinic improved overall net patient revenue. Operating expenses increased in 2016 by $1,486,513 or 9% over 2015. The demolition of the old hospital and clinic buildings added $409,355 in one-time facility costs. The addition of two family practice physicians and other support staff, as well as increases in health insurance costs, increased salary and benefit expenses for the year. Contract Services increased with the addition of oncology services.

The need to operate and maintain a current information system to meet the Center for Medicare and Medicaid Services regulations caused information technology service costs to continue to increase in 2017 and 2016 with the preparation for attestation for Stage 3 and Stage 2 Year 2, respectively, for Meaningful Use of the EHR. As further regulations go into effect surrounding "Meaningful Use" of an EHR, Ringgold County Hospital will see greater information technology costs required as further modules are implemented to meet the regulatory requirements.

Non-operating Revenue and Expenses

Non-operating revenue and expenses consist primarily of interest expense, county taxes, grants, and investment income.

In fiscal year 2017, interest expense decreased $182,191 or 14% due to refinancing of the Series 2008A/B bonds that were replaced by the 2016A, 2017A, and 2017B bonds at significantly lower interest rates and with a monthly principal payment structure as opposed to the traditional annual principal payment structure of the old bonds. Investment income decreased $18,283 or 50% as debt service reserve funds for the 2008A/B bonds were held partially in federal securities at higher interest rates than the current money market accounts the 2016A/2017A debt service reserve funds are held in.

In fiscal year 2016, county tax revenue increased $4,901 and investment income increased $17,250 over 2015. Debt service reserve funds for Series 2008A & 2008B bonds are invested in U.S. government obligations and improvements in the market in 2016 resulted in net unrealized gains in market value of $3,343, and improvement of $14,084 over 2015.

The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with changes in operating losses and non-operating revenue and expenses, discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At the end of 2017, the Hospital had $13,225,683 invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements. In 2017, the Hospital had new capital asset additions of $419,149 for equipment and improvements.

At the end of 2016, the Hospital had $14,468,933 invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements. In 2016, the Hospital had new capital asset additions of $432,822 for equipment and improvements.

Debt

At June 30, 2017 and 2016, the Hospital had $23,041,601 and $21,669,495, respectively, in long-term debt outstanding which consists of the 2016A, 2017A, 2017B Hospital Revenue Refunding Bonds, and the 2010 USDA Revenue Bond. In 2016, the debit consisted of the 2008A & B Revenue Bonds and the 2010 USDA Revenue Bond issued for construction of the current hospital building in 2008. See Note 7 to the financial statements for a description of the bonds outstanding and refinancing activity.

Other Economic Factors

The single largest economic factor affecting the Hospital is the aging, declining population of its service area. As the remaining population ages and median income decreases, the Hospital treats a larger percentage of Medicare and Medicaid patients, thus, increasing the Hospital's reliance on those programs' payment systems for a majority of its reimbursement.

Current Economic Conditions

The current protracted economic decline continues to present hospitals with difficult circumstances and challenges, which in some cases have resulted in declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Current economic conditions, including rising insurance rates and increasing out-of-pocket costs, have made it difficult for certain of the Hospital's patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of federal regulations on the Medicare program may have an adverse effect on cash flows related to the Medicare program.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital Administration by telephoning 641.464.3226.

Ringgold County Hospital

Statements of Net Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,779,367	1,836,354
Short-term investments	270,009	270,009
Assets limited as to use or restricted, current portion	82,864	439,227
Receivables -		
Patients, net of estimated uncollectible accounts of $711,000 in 2017 and $549,000 in 2016	1,716,136	2,034,398
Succeeding year property tax	1,294,577	1,296,220
Other	587,000	205,637
Inventories	460,071	436,680
Prepaid expenses	252,385	135,443
Total current assets	7,442,409	6,653,968
Assets limited as to use or restricted	1,351,705	1,401,990
Capital assets, net	13,225,683	14,468,933
Other, assets managed by South Central Iowa Community Foundation	21,696	19,624
Total assets	22,041,493	22,544,515
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	1,924,489	1,583,300
Deferred loss on advance refunding, net	1,710,579	--
Total deferred outflows of resources	3,635,068	1,583,300
Total assets and deferred outflows of resources	$ 25,676,561	24,127,815
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	$ 572,205	338,905
Accounts payable -		
Trade	587,111	1,133,180
Capital assets	11,760	51,854
Accrued salaries, vacation and benefits payable	1,026,162	1,097,554
Accrued interest on long-term debt	68,541	264,467
Estimated third-party payor settlements - Medicare and Medicaid	523,332	58,991
Total current liabilities	2,789,111	2,944,951
Long-term debt, net of current portion	22,469,396	21,330,590
Net pension liability	5,564,709	4,105,890
Total liabilities	30,823,216	28,381,431
DEFERRED INFLOWS OF RESOURCES		
Unavailable property tax revenue	1,280,472	1,280,472
Pension related deferred inflows	72,143	1,013,801
Total deferred inflows of resources	1,352,615	2,294,273
NET POSITION		
Net investment in capital assets	(6,753,633)	(6,065,444)
Restricted -		
Expendable for debt service	14,323	416,741
Nonexpendable	21,696	19,624
Unrestricted	218,344	(918,810)
Total net position	(6,499,270)	(6,547,889)
Total liabilities, deferred inflows of resources and net position	$ 25,676,561	24,127,815

See notes to financial statements

Ringgold County Hospital

Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUE:		
Net patient service revenue before provision for bad debt	$ 18,421,767	17,270,430
Provision for bad debt	(330,959)	(132,138)
Net patient service revenue	18,090,808	17,138,292
Other operating revenue	547,612	564,577
Total operating revenue	18,638,420	17,702,869
OPERATING EXPENSES:		
Salaries and wages	7,118,612	7,392,570
Employee benefits	2,466,914	1,860,894
Contract labor / services	2,004,165	1,649,104
Fees - other services	2,458,092	2,056,838
Supplies	1,592,723	1,595,566
Facility costs	328,215	715,723
Repairs and maintenance	529,514	476,078
Equipment lease/rentals	145,332	144,551
Insurance	233,537	218,497
Depreciation	1,645,951	1,645,344
Other	342,328	344,911
Total operating expenses	18,865,383	18,100,076
OPERATING LOSS	(226,963)	(397,207)
NONOPERATING REVENUE (EXPENSE), NET:		
Interest expense, including amortization on advance refunding	(1,087,650)	(1,269,841)
County tax revenue	1,287,850	1,291,359
Investment income, net	18,573	36,856
Noncapital gifts	19,438	10,671
Rental income	37,371	29,607
Total nonoperating revenue, net	275,582	98,652
EXCESS OF REVENUE OVER (UNDER) EXPENSES BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	48,619	(298,555)
CAPITAL GRANTS AND CONTRIBUTIONS	--	14,923
INCREASE (DECREASE) IN NET POSITION	48,619	(283,632)
NET POSITION, beginning of year	(6,547,889)	(6,264,257)
NET POSITION, end of year	$ (6,499,270)	(6,547,889)

See notes to financial statements

Ringgold County Hospital

Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from patients and third-party payors	$ 18,873,411	16,345,393
Cash paid to employee salaries and benefits	(9,480,946)	(9,338,882)
Cash paid to suppliers and contractors	(8,701,671)	(6,646,798)
Other receipts and payments, net	547,612	553,129
Net cash provided by operating activities	1,238,406	912,842
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Noncapital gifts	19,438	10,671
County tax revenue	1,289,493	1,292,558
Net cash provided by noncapital financing activities	1,308,931	1,303,229
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(442,795)	(343,259)
Principal payments on long-term debt	(19,399,894)	(324,475)
Proceeds from issuance of long-term debt	20,772,000	--
Interest paid on long-term debt	(1,243,795)	(1,273,845)
Deferred loss on advance refunding	(1,750,360)	--
Rental income	37,371	29,607
Capital grants and contributions	--	14,923
Net cash used in capital and related financing activities	(2,027,474)	(1,897,049)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	18,573	36,856
Withdrawl (purchases) of other assets, net	(2,072)	339
Withdrawl (purchases) of short-term investments and assets limited as to use or restricted, net	406,648	(79,435)
Net cash provided by (used in) investing activities	423,149	(42,240)
NET INCREASE IN CASH AND CASH EQUIVALENTS	943,013	276,782
CASH AND CASH EQUIVALENTS, beginning of year	1,836,354	1,559,572
CASH AND CASH EQUIVALENTS, end of year	$ 2,779,367	1,836,354

See notes to financial statements

Statements of Cash Flows (Continued)
For the Years Ended June 30, 2017 and 2016

		2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating loss	$	(226,963)	(397,207)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		1,645,951	1,645,344
Gain on sale of capital asset		--	(11,449)
Increase in net pension liability		1,458,819	1,104,145
Increase in pension related deferred outflows of resources		(1,060,484)	(1,099,951)
Decrease in deferred inflows of resources		(222,363)	(212,537)
(Increase) decrease in current assets -			
Receivables -			
Patients		318,262	867,244
Other		(381,363)	74,225
Inventories		(23,391)	(11,481)
Prepaid expenses		(116,942)	(15,090)
Increase (decrease) in current liabilities -			
Accounts payable - trade		(546,069)	506,817
Accrued salaries, vacation and benefits payable		(71,392)	122,925
Estimated third-party payor settlements - Medicare and Medicaid		464,341	(1,660,143)
Net cash provided by operating activities	$	1,238,406	912,842

See notes to financial statements

(1) Description of Reporting Entity and Summary of Significant Accounting Policies

The following is a description of the reporting entity and is a summary of significant accounting policies of Ringgold County Hospital (Hospital). These policies are in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The Hospital is a county public hospital organized under Chapter 347 of the Code of Iowa which is governed by a seven member board of trustees elected for terms of six years. The Hospital is a Critical Access Hospital, operating with 16 acute-care beds. The Hospital primarily earns revenue by providing inpatient, outpatient and emergency care services to patients in the Ringgold County area.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions and authorities. The Hospital has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital. The Hospital has no component units which meet the GASB criteria.

B. Industry Environment

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursements for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Hospital is in compliance with applicable government laws and regulations as they apply to the areas of fraud and abuse. While no regulatory inquiries have been made which are expected to have a material effect on the Hospital's financial statements, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

C. Basis of Presentation

The statements of net position display the Hospital's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the differences reported as net position. Net position is reported in the following categories:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets, and adjusted for deferred losses on advance refunding of debt.

Restricted:

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.

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

Unrestricted – This component of net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often have constraints on resources imposed by the Board which can be removed or modified.

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

D. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenue 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. Revenue is recognized when earned and expenses are recorded when the liability is incurred.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Cash and cash equivalents for purposes of the statements of cash flows include investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts limited as to use under debt agreements.

G. Short-Term Investments

Short-term investments are assets available for operations without donor imposed restrictions. Short-term investments consist of certificates of deposit and any accrued interest.

H. Patient Receivables, Net

Net patient receivables are uncollateralized patient and third-party payer obligations. Unpaid patient receivables are not assessed interest. Payments of patient receivables are allocated to the specific claim identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third-party payers. Management reviews patient receivables by payer class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

The Hospital also maintains a charity care policy as described in Note 1(X).

I. 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. 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.

J. Inventories

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market.

K. Assets Limited as to Use or Restricted

Assets limited as to use or restricted include assets held by trustees under indenture or loan agreements. These funds are reserve funds held as security for the Series 2008A, 2008B, 2010, 2016A, 2017A and 2017B bonds. These funds are used for the payment of principal and interest on the Series 2008A, 2008B, 2010, 2016A, 2017A and 2017B bonds when insufficient funds are available in the sinking fund. Amounts required to meet current liabilities of the Hospital have been reclassified in the statements of net position at June 30, 2017 and 2016.

L. Investments

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in non-negotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices. Investment income includes interest income and the net change for the year in the fair value of investments carried at fair value.

M. Capital Assets, Net

The Hospital's capital assets are recorded at historical cost. Capital asset acquisitions in excess of $5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated life of each depreciable asset and is computed using the straight-line method. Contributed capital assets are reported at their estimated fair value at the time of their donation.

Useful lives are determined using guidelines from the American Hospital Association Guide for Estimated Useful Lives of Depreciable Hospital Assets. Lives range by capital asset classification as follows:

Land improvements	10 to 25 years
Buildings and fixed equipment	5 to 40 years
Major moveable equipment	3 to 20 years

The Hospital's capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected cash flows is less than the carrying amount of the asset, a loss is recognized.

Gifts of capital 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 capital assets are reported as restricted support. Absent explicit donor stipulations about how long those capital assets must be maintained, expirations of donor restrictions are reported when the donated or acquired capital assets are placed into service.

N. Deferred Outflows of Resources

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

O. Compensated Absences

Hospital policies permit most employees to accumulate paid time off benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as benefits are earned. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

P. 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.

Q. Deferred Inflows of Resources

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

R. Group Health Insurance Costs

The Hospital is self-insured under its employee group health program, up to certain limits. Included in the accompanying statements of revenue, expenses, and changes in net position is a provision for premiums for excess coverage and payments for claims including estimates of the ultimate costs for both reported claims and claims incurred but not yet reported at year-end.

S. Income Taxes

Under the Code of Iowa, Chapter 347, the Hospital is an instrumentality of the County of Ringgold, Iowa. As such, the Hospital is exempt from paying income taxes. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

T. Statements of Revenue, Expenses and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are reported as operating revenue and expenses. Property tax levied to finance the current year is included in nonoperating revenue and peripheral or incidental transactions are reported as nonoperating revenue and expenses.

U. Net Patient Service Revenue

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

V. Grants and Contributions

From time to time, the Hospital receives grants and contributions from individuals and private organizations. Revenue 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 restricted for a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

W. Excess of Revenue Over (Under) Expenses Before Capital Grants and Contributions

The statements of revenue, expenses and changes in net position include excess of revenue over (under) expenses before capital grants and contributions as a performance indicator. Changes in unrestricted net position that are excluded from excess of revenue over (under) expenses before capital grants and contributions, consistent with industry practice, include gifts, grants and bequests for purchase of capital assets (including assets acquired using contributions, which by donor restriction were to be used for the purpose of acquiring such assets).

X. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates. The resulting adjustments are recorded as adjustments to patient service revenue at the time of the charity determination.

Y. Risk Management

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

Z. Management

The Hospital is a provider of healthcare services as a Critical Access Hospital. During the year, the Hospital had an agreement for management services with Mercy Health Network, Inc. Administration and support services fees of $622,683 and $477,273 were incurred for the years ended June 30, 2017 and 2016, respectively.

AA. Reclassification

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 reporting format.

BB. Subsequent Events

The Hospital considered events occurring through October 16, 2017, the date the financial statements were available to be issued.

(2) Cash, Short-Term Investments and Assets Limited as to Use or Restricted

The Hospital's deposits in banks at June 30, 2017 and 2016 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The Hospital's investments at June 30, 2017 and 2016 consisted of cash, money market mutual funds, and U.S. government obligations. The Hospital's investments held at fair value is as follows:

		2016 Maturities in Years			
Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasury Money Market Mutual Funds	$ 1,107,382	1,107,382	--	--	--
U.S. Government Agency Obligations	733,835	--	500,822	233,013	--
	$ 1,841,217	1,107,382	500,822	233,013	--

The Hospital uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurements of investments are as follows:

U.S. Treasury Money Market Mutual Funds – The fair value of money market funds, is classified as Level 1 as these funds are valued using quoted market prices.

U.S. Government Agency Obligations – Agency obligations are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

The Hospital had no other investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 72.

The Hospital manages the following risks in accordance with their formal investment policy:

Credit Risk: Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2016 the Hospital's investments in U.S. Treasury money market mutual funds were rated AA+ by Standard & Poor's.

Interest Rate Risk: The Hospital's investment policy does not limit investments on interest rate risk. The Hospital complies with State of Iowa statutes in regards to interest rate risk.

Custodial credit risk: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Hospital's investment policy does not address how investments are to be held.

The composition of short-term investments and assets limited as to use or restricted as of June 30, 2017 and 2016 is as follows:

		2017	2016
Short-term investments,			
Certificates of deposit	$	270,009	270,009
Assets limited as to use or restricted:			
By bond agreements –			
U.S. government agency obligations	$	--	733,835
U.S. treasury money market mutual funds		--	1,107,382
Cash and cash equivalents		1,434,569	--
Total assets limited as to use or restricted		1,434,569	1,841,217
Less amounts required to meet current obligations		82,864	439,227
Long-term portion	$	1,351,705	1,401,990

Investment return, including return on assets limited as to use or restricted, for the years ended June 30, 2017 and 2016 is summarized as follows:

		2017	2016
Interest and dividends	$	31,407	33,513
Realized gains, net		9,956	--
Change in unrealized gains and losses, net		(22,790)	3,343
Total investment return	$	18,573	36,856

(3) Net Patient Service Revenue

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

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries in a Critical Access Hospital are paid based on Medicare defined costs of providing the services. Inpatient nonacute services, certain outpatient services, and certain rural health clinic services related to Medicare beneficiaries are also paid based on a cost reimbursement methodology. Physician services related to Medicare beneficiaries are paid based on fee schedule amounts. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through June 30, 2015.

The "Budget Control Act of 2011" requires, among other things, mandatory across-the-board reductions in Federal spending, also known as sequestration. In general, Medicare claims with dates of service or dates of discharge on or after April 1, 2013, incur a 2% reduction in Medicare payment.

Medicaid – Inpatient acute services and outpatient services rendered to Medicaid program beneficiaries in a Critical Access Hospital are paid based on Medicaid defined costs of providing the services. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital. On April 1, 2016 most existing Iowa Medicaid members were enrolled in IA Health Link. IA Health Link brings together physical, behavioral and long-term care under one program across Iowa which is covered by managed care organizations. The Hospital is reimbursed prospectively by the managed care organizations.

The Hospital has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Hospital under these agreements includes discounts from established charges and prospectively determined rates.

The following illustrates the Hospital's gross patient service revenue at its established rates and revenue deductions by major third-party payers:

		2017	2016
Gross patient service revenue:			
Inpatient	$	3,328,649	3,419,709
Outpatient		16,917,301	16,046,459
Swing bed		527,210	340,360
Clinic		2,437,595	2,897,406
Total gross patient service revenue		23,210,755	22,703,934
Deductions from gross patient service revenue:			
Medicare		2,329,110	2,975,403
Medicaid		(10,885)	407,403
Other payers		2,335,790	1,856,624
Charity care		134,973	194,074
Total deductions from gross patient service revenue		4,788,988	5,433,504
Net patient service revenue before provision for bad debt	$	18,421,767	17,270,430

The Hospital reports net patient service revenue at estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Revenue from the Medicare and Medicaid programs accounts for approximately 61% and 16%, respectively, of the Hospital's net patient revenue for the year ended June 30, 2017 compared to 60% for Medicare and 13% for Medicaid in 2016. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2017 and 2016 net patient service revenue increased approximately $435,000 and $150,000, respectively, due to additional allowances necessary or removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer subject to audits, reviews and investigations.

(4) Meaningful Use of Certified Electronic Health Record Technology Incentive Payments

The Health Information Technology for Economic and Clinical Health Act contains specific financial incentives designed to accelerate the adoption of electronic health record (EHR) systems among healthcare providers. During 2016, the Hospital qualified for the financial incentive payments by attesting it met specific criteria set by the Center for Medicare and Medicaid services (CMS). Management's attestation is subject to audit by the federal government or its designee. The EHR incentive payment was and will be earned and received through various payments through 2017. The incentive amount is computed using several elements, one of which includes using the value of undepreciated assets required to implement the EHR system. In 2017 and 2016, the Hospital elected to record $21,954 and $35,651, respectively, of the incentive payment as other operating revenue and defer approximately $-0- and $45,373, respectively, related to future Medicare reimbursement. The amounts recognized were based on management's best estimates and were subject to change, which would have been recognized in the period in which the change occurred.

(5) Composition of Patient Receivables

Patient receivables as of June 30, 2017 and 2016 consist of the following:

		2017	2016
Patient accounts	$	2,868,624	3,332,738
Less estimated third-party contractual adjustments		(441,488)	(749,340)
Less allowance for uncollectible accounts		(711,000)	(549,000)
	$	1,716,136	2,034,398

The Hospital is located in Mount Ayr, Iowa. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers was as follows:

	2017	2016
Medicare	32%	42%
Medicaid	12	12
Commercial	24	23
Private pay	32	23
	100%	100%

(6) Capital Assets

Capital assets activity for the years ended June 30, 2017 and 2016 was as follows:

	June 30, 2016	Additions	Transfers and Disposals	June 30, 2017
Capital assets, not being depreciated,				
Land	$ 368,364	--	--	368,364
Construction in progress	40,969	250,201	(244,335)	46,834
Total capital assets, not being depreciated	409,333	250,201	(244,335)	415,198
Capital assets, being depreciated:				
Land improvements	1,505,039	--	--	1,505,039
Hospital buildings	9,752,704	--	--	9,752,704
Fixed equipment	7,826,005	14,376	15,147	7,855,527
Major moveable equipment	8,135,381	154,573	108,895	8,398,849
Total capital assets, being depreciated	27,219,129	168,948	124,042	27,512,119
Less accumulated depreciation:				
Land improvements	587,155	91,175	--	678,330
Hospital buildings	3,320,329	483,953	--	3,804,282
Fixed equipment	2,975,399	456,010	--	3,431,409
Major moveable equipment	6,276,646	614,813	(103,846)	6,787,613
Total accumulated depreciation	13,159,529	1,645,951	(103,846)	14,701,634
Total capital assets, being depreciated, net	14,059,600	(1,477,003)	227,888	12,810,485
Total capital assets, net	$ 14,468,933	(1,226,802)	(16,448)	13,225,683

	June 30, 2015	Additions	Transfers and Disposals	June 30, 2016
Capital assets, not being depreciated:				
Land	$ 368,364	--	--	368,364
Construction in progess	--	40,969	--	40,969
Total capital assets, not being depreciated	368,364	40,969	--	409,333
Capital assets, being depreciated:				
Land improvements	1,505,039	--	--	1,505,039
Hospital buildings	9,752,704	--	--	9,752,704
Fixed equipment	7,695,072	130,933	--	7,826,005
Major moveable equipment	7,990,018	260,920	(115,557)	8,135,381
Total capital assets, being depreciated	26,942,833	391,853	(115,557)	27,219,129
Less accumulated depreciation:				
Land improvements	495,979	91,176	--	587,155
Hospital buildings	2,836,376	483,953	--	3,320,329
Fixed equipment	2,522,148	453,251	--	2,975,399
Major moveable equipment	5,748,979	616,964	(89,297)	6,276,646
Total accumulated depreciation	11,603,482	1,645,344	(89,297)	13,159,529
Total capital assets, being depreciated, net	15,339,351	(1,253,491)	(26,260)	14,059,600
Total capital assets, net	$ 15,707,715	(1,212,522)	(26,260)	14,468,933

Depreciation expense of $1,645,951 and $1,645,344 in 2017 and 2016, respectively, is included in the accompanying statements of revenue, expenses and change in net position.

(7) Long-Term Debt

Long-term debt activity of the Hospital for the years ended June 30, 2017 and 2016 consisted of the following:

	June 30, 2016	Borrowings	Payments	June 30, 2017	Due Within One Year
Hospital Revenue Bond, Series 2008A (A)	$ 12,170,000	--	12,170,000	--	--
Hospital Revenue Bond, Series 2008B (B)	1,395,000	--	1,395,000	--	--
Hospital Revenue Bond, Series 2010 (C)	8,104,495	--	268,147	7,836,348	129,060
Hospital Revenue Refunding Bond, Series 2016A (D)	--	10,000,000	106,658	9,893,342	285,323
Hospital Revenue Refunding Bond Anticipaition Note, Series 2016B (E)	--	5,386,000	5,386,000	--	--
Hospital Revenue Refunding Bond, Series 2017A (F)	--	4,500,000	61,068	4,438,932	129,573
Hospital Revenue Refunding Bond, Series 2017B (G)	--	886,000	13,021	872,979	28,250
	$ 21,669,495	20,772,000	19,399,894	23,041,601	572,205

	June 30, 2015	Borrowings	Payments	June 30, 2016	Due Within One Year
Hospital Revenue Bond, Series 2008A (A)	$ 12,365,000	--	195,000	12,170,000	205,000
Hospital Revenue Bond, Series 2008B (B)	1,410,000	--	15,000	1,395,000	15,000
Hospital Revenue Bond, Series 2010 (C)	8,218,970	--	114,475	8,104,495	118,905
	$ 21,993,970	--	324,475	21,669,495	338,905

(A) Series 2008A Hospital Revenue Bonds; issued in the original amount of $13,030,000, maturing serially at varying amounts through 2038, semiannual interest payments at 6.70%; collateralized by the Hospital's net revenue. The USDA-RD has issued to ArborOne ACA (the Servicer) a conditional commitment for guarantee, whereby, subject to certain conditions, to guarantee payment of principal and interest on the Series 2008A Bonds. This bond was extinguished and replaced with Series 2016A and 2016B Hospital Revenue Bonds during the year ended June 30, 2017.

(B) Series 2008B Hospital Revenue Bonds; issued in the original amount of $1,450,000, maturing serially at varying amounts through 2038, semiannual interest payments at 10.12%; collateralized by the Hospital's net revenue. This bond was extinguished and replaced with Series 2016A and 2016B Hospital revenue Bonds during the year ended June 30, 2017.

(C) In October 2010, the Hospital refinanced the Hospital Revenue Bonds Series 2009 and acquired permanent financing through the USDA Rural Development with Hospital Revenue Bonds, Series 2010 at 3.75%. Monthly principal and interest payments of $54,214 are due commencing November 1, 2010 through October 1, 2050.

(D) Series 2016A Hospital Revenue Refunding Bonds, issued in the original amount of $10,000,000 in December 2016, maturing in varying monthly installments through December 2038, monthly interest and principal payments of $54,214 commencing in February 2017, at a rate of 3.69% through December 2026. Commencing on January 2027 and again on January 2032, the monthly principal and interest payments shall be recalculated by the lender to be equal to the 5-year CMT rate (as defined in the indenture) plus 1.40%, provided that the adjusted interest rate shall never be less than 3.60% so as to amortize the then remaining principal balance over the remaining term.

(E) Series 2016B Hospital Revenue Refunding Bond Anticipation Notes, issued in the original amount of $5,386,000 in December 2016 at 3.89%, extinguished in January 2017 and replaced with Series 2017A and 2017B Hospital Revenue Refunding Bonds.

(F) Series 2017A Hospital Revenue Refunding Bonds, issued in the original amount of $4,500,000 in January 2017, maturing in varying monthly installments through January 2039, monthly interest and principal payments of $23,934 commencing in February 2017, at a rate of 3.55% through January 2027. Commencing on February 2027 and again on February 2032, the monthly principal and interest payments shall be recalculated by the lender to be equal to the 5-year CMT rate (as defined in the indenture) plus 1.40%, provided that the adjusted interest rate shall never be less than 3.55% so as to amortize the then remaining principal balance over the remaining term.

(G) Series 2017B Hospital Revenue Refunding Bonds, issued in the original amount of $886,000 in January 2017, maturing in varying monthly installments through January 2039, monthly interest and principal payments of $4,716, commencing in February 2017, as a rate of 3.25% through January 2027. Commencing on February 2027 and again on February 2032, the monthly principal and interest payments shall be recalculated by the lender to be equal to the 5-year CMT rate (as defined in the indenture) plus 1.75%, provided that the adjusted interest rate shall never be less than 3.25% so as to amortize the then remaining principal balance over the remaining term.

The advance refunding resulted in the recognition of a deferred loss of $1,750,360 as a result of a prepayment interest penalty on the advance refunding of the 2008A Bonds. The deferred loss on advance refunding is being amortized as a component of interest expense over the life of the 2016A and 2017A Bonds. Amortization of $39,781 in 2017 is included with interest expense in the statement of revenue, expenses, and changes in net position.

In conjunction with the issuance of the Hospital Revenue Refunding Bonds, the Hospital has agreed to comply with certain covenants as described in the bond indentures which places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the bonds are outstanding.

In addition, the Hospital is required to make monthly payments into a bond sinking fund in an amount which will be sufficient to pay the principal and interest due on the next succeeding date as well as to establish a bond debt service reserve fund as necessary under the indenture. Amounts have been fully funded in the bond debt service reserve fund at June 30, 2017.

A summary of the Hospital's future principal and interest payments as of June 30, 2017 is as follows:

Year		Principal	Interest	Total
2018	$	572,205	842,895	1,415,100
2019		595,092	820,008	1,415,100
2020		612,316	802,784	1,415,100
2021		638,953	776,147	1,415,100
2022		662,930	752,170	1,415,100
2023-2027		3,704,930	3,370,572	7,075,502
2028-2032		4,453,430	2,622,072	7,075,502
2033-2037		5,356,687	1,718,815	7,075,502
2038-2042		3,845,633	716,009	4,561,642
2043-2047		1,774,379	329,281	2,103,660
2048-2052		825,046	33,345	858,391
	$	23,041,601	12,784,098	35,825,699

A summary of interest expense on borrowed funds during the years ended June 30, 2017 and 2016 is as follows:

		2017	2016
Interest cost:			
Expensed	$	1,047,869	1,269,841
Amortized		39,781	--
	$	1,087,650	1,269,841

(8) Professional Liability Insurance

The Hospital carries a professional liability policy (including malpractice) providing coverage of $1,000,000 for injuries per occurrence and $3,000,000 aggregate coverage. In addition, the Hospital carries an umbrella policy which also provides $1,000,000 per occurrence and aggregate coverage. These policies provide coverage on a claims-made basis covering only those claims which have occurred and are reported to the insurance company while the coverage is in force. In the event the Hospital should elect not to purchase insurance from the present carrier or the carrier should elect not to renew the policy, any unreported claims which occurred during the policy year may not be recoverable from the carrier.

Accounting principles generally accepted in the United States of America require a healthcare provider to recognize the ultimate costs of malpractice claims or similar contingent liabilities, which include costs associated with litigating or settling claims, when the incidents that give rise to the claims occur. The Hospital does evaluate all incidents and claims along with prior claim experienced to determine if a liability is to be recognized. For the years ending June 30, 2017 and 2016, management determined no liability should be recognized for asserted or unasserted claims. Management is not aware of any such claim that would have a material adverse impact on the accompanying financial statements.

(9) Pension Plan

Plan Description

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

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

Pension Benefits

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

- A multiplier based on years of service.
- The member's highest five-year average salary except for members with service before June 30, 2012 which will use the highest three-year average salary as of that date 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. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% 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% 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

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Hospital contributed 8.93% of covered payroll for a total rate of 14.88%. Protective occupation members contributed 6.56% of covered payroll and the Hospital contributed 9.84% of covered payroll, for a total rate of 16.40%.

The Hospital's contributions to IPERS for the years ended June 30, 2017 and 2016 were $592,526 and $592,406, respectively.

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

At June 30, 2017, the Hospital reported a liability of $5,564,709 for its proportionate share of the net pension liability. The Hospital's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2016, the Hospital's proportion was .0884225%, which was an increase of .0053155% from its proportion measured as of June 30, 2015.

For the years ended June 30, 2017 and 2016, the Hospital recognized pension expense of $768,498 and $383,549, respectively. At June 30, 2017, the Hospital 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	$	49,027	72,066
Changes of assumptions		84,634	77
Net difference between projected and actual earnings on pension plan investments		831,354	--
Changes in proportion and differences between Hospital contributions and proportionate share of contributions		370,705	--
Hospital contributions subsequent to the measurement date		588,769	--
Total	$	1,924,489	72,143

Deferred outflows of resources related to pensions included $588,769 resulting from the Hospital contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2018	$	189,084
2019		189,084
2020		554,381
2021		318,680
2022		12,348
	$	1,263,577

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement as follows:

Rate of Inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increases (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28%	1.90%
Domestic Equity	24	5.85
International Equity	16	6.32
Private Equity/Debt	11	10.31
Real Estate	8	3.87
Credit Opportunities	5	4.48
U.S. TIPS	5	1.36
Other Real Assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Hospital's proportionate share of the net pension liability	$ 9,145,746	5,564,709	2,542,452

IPERS' Fiduciary Net Position

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

Payables to IPERS

At June 30, 2017, the Hospital reported payables to the defined benefit pension plan of $41,476 for legally required employer contributions and $27,617 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(10) Self-Funded Health Insurance

The Hospital has established a self-funded employee health insurance fund. All employees' payroll withholdings for health insurance and the Hospital's contributions are deposited into a separate benefit account. Under the self-insured plan, the Hospital pays claims from this fund, up to certain limits, and carries stop loss insurance for claims in excess of the limits. Stop-loss coverage is provided through a commercial insurance company. The Hospital incurred health insurance expenses of $1,099,213 and $874,615 as of June 30, 2017 and 2016, respectively.

(11) Commitments and Contingencies

Commitments

The Hospital leases certain equipment under various three to five year noncancellable operating leases. The rental expense for the operating leases was $256,166 and $252,049 for the years ended June 30, 2017 and 2016, respectfully. The following is a schedule by year of future minimum rental payments required under noncancellable operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2017:

2018	$	300,320
2019		249,979
2020		179,194
2021		44,385
	$	773,878

(12) Risks and Uncertainties

Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

(13) Deficit Balance

The Hospital had a deficit unrestricted balance of $918,810 at June 30, 2016, primarily due to the recognition of the net pension liability as required by GASB 68.

Ringgold County Hospital

Budgetary Comparison Schedule of Revenue, Expenses and Changes in Net Position – Budget and Actual (Accrual Basis)
Required Supplementary Information
June 30, 2017

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.

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Hospital on the accrual basis following required public notice and hearing in accordance with Chapters 24 and 347 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.

For the year ended June 30, 2017, the Hospital's expenditures did not exceed the amounts budgeted.

		Actual Accrual Basis	Budgeted Accrual Amounts	Variance Favorable (Unfavorable)
Amount raised by taxation	$	1,287,850	1,248,244	39,606
Add: Other revenues / receipts		18,713,802	18,657,474	56,328
Less: Expenses / disbursements		19,953,033	19,898,121	(54,912)
Net		48,619	7,597	41,022
Balance, beginning of year		(6,547,889)	(6,185,821)	
Balance, end of year	$	(6,499,270)	(6,178,224)	

See accompanying independent auditor's report

Ringgold County Hospital

Schedule of the Hospital's Proportionate Share of the Net Pension Liability
Required Supplementary Information
For the Years Ended June 30, 2017 and 2016

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

		2017	2016	2015
Hospital's proportion of net pension liability		0.0884225%	0.0831070%	0.0756888%
Hospital's proportionate share of the net pension liability	$	5,565	4,106	3,002
Hospital's covered-employee payroll	$	6,629	5,845	5,297
Hospital's proortionate share of the net pension liability as a percentage of its covered-employee payroll		83.95%	70.24%	56.68%
Plan fiduciary net position as a percentage of the total pension liability		81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report

Note: 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 Hospital will present information for those years for which information is available.

Ringgold County Hospital

Schedule of Hospital Contributions
Required Supplementary Information
June 30, 2017

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	$	593	592	522	473	470	430	379	314	243	275
Contributions in relation to the statutorily required contribution		(593)	(592)	(522)	(473)	(470)	(430)	(379)	(314)	(243)	(275)
Contribution deficiency (excess)	$	--	--	--	--	--	--	--	--	--	--
Hospital's covered-employee payroll	$	6,641	6,629	5,845	5,297	5,415	5,322	5,461	4,729	3,827	4,538
Contributions as a percentage of covered-employee payroll		8.93%	8.93%	8.93%	8.93%	8.68%	8.08%	6.94%	6.64%	6.35%	6.06%

See accompanying independent auditor's report

Notes to Required Supplementary Information – Pension Liability

Changes of benefit terms

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

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

Changes of assumptions

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

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

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

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

Patient Service Revenue
For the Years Ended June 30, 2017 and 2016

	2017			2016		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
DAILY PATIENT SERVICES:						
Medical and surgical	$ 676,762	--	676,762	663,195	--	663,195
Swing bed	111,633	--	111,633	72,606	--	72,606
	788,395	--	788,395	735,801	--	735,801
NURSING SERVICES:						
Central services	953,905	488,417	1,442,322	840,024	457,202	1,297,226
Operating room	344,043	1,177,623	1,521,666	386,069	1,184,347	1,570,416
Emergency	12,488	1,298,457	1,310,945	8,697	1,172,120	1,180,817
Intravenous therapy	138,913	384,214	523,127	138,063	414,821	552,884
CRNA	63,299	253,647	316,946	64,516	270,588	335,104
Recovery room	23,948	272,791	296,739	31,968	274,818	306,786
	1,536,596	3,875,149	5,411,745	1,469,337	3,773,896	5,243,233
OTHER PROFESSIONAL SERVICES:						
Radiology	344,700	4,195,704	4,540,404	374,289	3,780,702	4,154,991
Laboratory	350,940	2,794,501	3,145,441	420,413	2,955,001	3,375,414
Mount Ayr Medical Clinic	--	2,199,293	2,199,293	--	2,621,924	2,621,924
Pharmacy	333,022	1,378,106	1,711,128	365,060	1,644,227	2,009,287
Physical, occupational, and speech therapy	304,728	1,030,112	1,334,840	145,240	822,332	967,572
Mental health	--	1,154,615	1,154,615	--	899,015	899,015
Emergency room physicians	2,665	838,861	841,526	7,329	625,111	632,440
Ambulance service	15,526	662,992	678,518	--	602,716	602,716
Respiratory therapy	144,262	527,762	672,024	188,277	443,717	631,994
Cardiology	25,578	426,852	452,430	36,348	373,892	410,240
Clinic	--	220,634	220,634	--	359,048	359,048
Transfusion service	7,933	41,950	49,883	15,652	34,524	50,176
Anesthesiology	1,514	8,365	9,879	2,323	7,760	10,083
	1,530,868	15,479,747	17,010,615	1,554,931	15,169,969	16,724,900
GROSS PATIENT SERVICE REVENUE	$ 3,855,859	19,354,896	23,210,755	3,760,069	18,943,865	22,703,934
LESS:						
Contractual allowances and other deductions, primarily Medicare and Medicaid			(4,654,015)			(5,239,430)
Charity care services and other discounts, based on charges forgone			(134,973)			(194,074)
NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR BAD DEBT			18,421,767			17,270,430
PROVISION FOR BAD DEBT			(330,959)			(132,138)
NET PATIENT SERVICE REVENUE			$ 18,090,808			$ 17,138,292

See accompanying independent auditor's report

Other Operating Revenue
For the Years Ended June 30, 2017 and 2016

		2017	2016
Medicare EHR incentive	$	21,954	35,651
Employee lease reimbursement		365,085	371,545
Gain on sale of capital assets		--	11,449
Meals sold to employees and guests		36,932	35,554
Lifeline rental		20,555	22,209
Other		103,086	88,169
	$	547,612	564,577

See accompanying independent auditor's report

Departmental Expenses
For the Years Ended June 30, 2017 and 2016

	2017			2016		
	Salaries and Wages	Other	Total	Salaries and Wages	Other	Total
NURSING SERVICES:						
Operating room	$ 358,540	751,369	1,109,909	371,796	653,814	1,025,610
Medical and surgical	874,396	124,253	998,649	818,321	83,938	902,259
Nursing administration	150,099	148,970	299,069	153,988	116,762	270,750
Emergency services	123,512	19,867	143,379	112,282	25,554	137,836
Central services and supply	62,484	13,355	75,839	61,642	(6,948)	54,694
	1,569,031	1,057,814	2,626,845	1,518,029	873,120	2,391,149
OTHER PROFESSIONAL SERVICES:						
Mount Ayr Medical Clinic	2,575,333	272,203	2,847,536	2,886,918	360,071	3,246,989
Radiology	262,650	753,924	1,016,574	260,355	659,203	919,558
Emergency room physicians	177,045	702,808	879,853	234,518	409,232	643,750
Laboratory	405,483	387,986	793,469	355,190	419,270	774,460
Pharmacy	190,826	537,458	728,284	207,342	631,188	838,530
Medical records	236,942	169,204	406,146	245,421	142,439	387,860
Physical, occupational, and speech therapy	192,482	206,768	399,250	225,618	188,390	414,008
Mental health	77,911	277,376	355,287	83,269	263,136	346,405
Ambulance service	296,914	44,165	341,079	288,425	50,411	338,836
Respiratory therapy	132,769	88,103	220,872	130,318	85,088	215,406
Anesthesiology	--	192,200	192,200	--	201,600	201,600
Clinics and other	59,975	109,373	169,348	67,912	552,668	620,580
Cardiology	45,240	10,201	55,441	31,785	10,538	42,323
Transfusion service	--	30,783	30,783	--	36,053	36,053
	4,653,570	3,782,552	8,436,122	5,017,071	4,009,287	9,026,358
GENERAL SERVICES:						
Plant operation and maintenance	140,521	437,577	578,098	131,696	426,399	558,095
Dietary	150,668	87,338	238,006	148,954	84,443	233,397
Housekeeping	159,087	26,263	185,350	160,781	20,257	181,038
Laundry	22,505	14,444	36,949	22,516	14,916	37,432
	472,781	565,622	1,038,403	463,947	546,015	1,009,962
ADMINISTRATIVE AND FISCAL SERVICES:						
Administrative	423,230	2,227,918	2,651,148	393,523	1,772,846	2,166,369
Employee benefits	--	2,466,914	2,466,914	--	1,860,894	1,860,894
	423,230	4,694,832	5,118,062	393,523	3,633,740	4,027,263
NONDEPARTMENTAL,						
Depreciation	--	1,645,951	1,645,951	--	1,645,344	1,645,344
TOTAL EXPENSES	$ 7,118,612	11,746,771	18,865,383	7,392,570	10,707,506	18,100,076

See accompanying independent auditor's report

Patient Receivables and Allowance for Uncollectible Accounts
June 30, 2017 and 2016

ANALYSIS OF AGING:

Age of Accounts	2017 Amount	2017 Percent of Total	2016 Amount	2016 Percent of Total
0 - 30	$ 1,595,466	55.62 %	1,971,743	59.17 %
31 - 60	278,760	9.72	442,588	13.28
61 - 90	171,850	5.99	248,068	7.44
91 - 120	77,191	2.69	113,304	3.40
121 and over	745,357	25.98	557,035	16.71
	2,868,624	100.00 %	3,332,738	100.00 %
Less:				
Allowance for uncollectible accounts	(711,000)		(549,000)	
Allowance for contractual adjustments	(441,488)		(749,340)	
	$ 1,716,136		2,034,398	

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS:	2017	2016
Balance, beginning of year	$ 549,000	1,029,000
Provision of uncollectible accounts	330,959	132,138
Accounts written off	(168,959)	(612,138)
Balance, end of year	$ 711,000	549,000

See accompanying independent auditor's report

Inventories/Prepaid Expenses
June 30, 2017 and 2016

	2017	2016
INVENTORIES:		
Medical supplies	$ 338,930	341,867
Pharmacy	117,848	90,868
Information technology	3,293	3,945
	$ 460,071	436,680
PREPAID EXPENSES:		
Insurance	$ 40,745	34,013
Maintenance contracts	211,640	101,430
	$ 252,385	135,443

See accompanying independent auditor's report

SEIM JOHNSON

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*

To the Board of Trustees
Ringgold County Hospital
Mount Ayr, Iowa:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ringgold County Hospital (Hospital) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated October 16, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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Hospital's Response to Findings

The Hospital's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Purpose of this Report

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

SEIM JOHNSON, LLP.

Omaha, Nebraska,
October 16, 2017.

Part I: Summary of the Independent Auditor's Results

(a) An unmodified opinion was issued on the financial statements.

(b) The audit did not disclose any significant deficiencies or material weaknesses in internal control over financial reporting.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Internal Control Deficiencies: No matters were reported.

Instances of Non-Compliance: No matters were reported.

Part III: Other Findings Related to Required Statutory Reporting

III-A-17 Certified Budget: Hospital disbursements during the year ended June 30, 2017 exceeded amounts budgeted.

Recommendation: The Hospital should review its budget estimates to actual expenditures and adopt amendments to budgeted expenditures if actual expenditures are expected to exceed budgeted amounts.

Response: Actual disbursements exceeded the reported budget for fiscal year ending June 30, 2017 by $54,912. The Hospital will monitor its disbursements compared to budgeted amounts and will adopt amendments in the future when actual expenditures are expected to exceed budgeted amounts.

Conclusion: Response accepted.

III-B-17 Questionable Expenditure: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-17 Travel Expense: No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

III-D-17 Business Transactions: No business transactions between the Hospital and Hospital officials and/or employees were noted to violate Chapter 347.9A(2)(a) of the Code of Iowa which limits a trustee's pecuniary interest in the purchase or sale of any commodities or supplies procured for or disposed of by said Hospital to $1,500 without publicly invited and opened written competitive bids.

III-E-17 Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

III-F-17 Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Hospital's investment policy.

III-G-17 Publication of Bills Allowed and Salaries: Chapter 347.13(11) of the Code of Iowa states in part, "There shall be published quarterly in each of the official newspapers of the county as selected by the board of supervisors pursuant to Section 349.1 the schedule of bills allowed and there shall be published annually in such newspaper the schedule of salaries paid by job classification and category…" We noted no instances of noncompliance with the publication of bills allowed and salaries. The Hospital publishes a list of expenditures quarterly which are summarized by major classification and vendor. They also publish a schedule of salaries annually by category.

Ringgold County Hospital

Audit Staff
For the Year Ended June 30, 2017

This audit was performed by:

Marty J. Dubas, FHFMA, CPA, Partner

Marcus P. Goldenstein, Auditor

Kendra J. Samuelson, Staff Auditor