

**JACKSON COUNTY PUBLIC HOSPITAL**  
MAQUOKETA, IOWA

FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004

# JACKSON COUNTY PUBLIC HOSPITAL

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**JACKSON COUNTY PUBLIC HOSPITAL  
BOARD OF TRUSTEES AND HOSPITAL OFFICIALS**

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| <u>Name</u>               | <u>Title</u>            | <u>Term Expires</u> |
|---------------------------|-------------------------|---------------------|
| <u>Board of Trustees</u>  |                         |                     |
| Kevin Burns               | Chairperson             | December 31, 2006   |
| Gloria Jorgensen          | Vice-Chairperson        | December 31, 2010   |
| Jodi Helmle               | Secretary               | December 31, 2010   |
| Dwain Trenkamp            | Treasurer               | December 31, 2006   |
| Bob Specht                | Member                  | December 31, 2008   |
| Bob Thomas                | Member                  | December 31, 2006   |
| Eilene Busch              | Member                  | December 31, 2008   |
| <u>Hospital Officials</u> |                         |                     |
| Curt Coleman              | Chief Executive Officer |                     |
| Donna Roeder              | Chief Financial Officer |                     |
| Cheryl Shireman           | Director of Nursing     |                     |



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## INDEPENDENT AUDITOR'S REPORT

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The Board of Trustees  
Jackson County Public Hospital  
Maquoketa, Iowa

We have audited the accompanying balance sheets of **Jackson County Public Hospital** as of June 30, 2005 and 2004, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Jackson County Public Hospital** as of June 30, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2005, on our consideration of **Jackson County Public 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* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 and 4 and the Budgetary Comparison Information on page 19 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Dubuque, Iowa  
August 24, 2005

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**Jackson County Public Hospital  
Management's Discussion and Analysis  
June 30, 2005**

As management of the Jackson County Public Hospital, we offer readers a narrative overview and analysis of the financial activity of the facility. We encourage readers to consider the information presented along with the subsequent audited financial statements.

**Financial Highlights**

- The Hospital's assets exceeded its liabilities by \$16,731,273 at June 30, 2005.
- The Hospital recorded loss from operations of \$575,281 for the fiscal year ending on June 30, 2005.
- 95 days cash on hand was reported at June 30, 2005.
- 47 days in net patient and resident accounts receivable were reported at June 30, 2005.
- The Hospital had 2,382 patient days in 2005, a decrease of 8% from 2004.
- The Hospital had 22,095 outpatient registrations in 2005, an increase of 2% from 2004.
- The Hospital had 6,149 resident days in 2005, a decrease of 7% from 2004.

**Overview of the Financial Statements**

The audited financial statements from Eide Bailly, LLP include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Assets, Statement of Cash Flows, Notes to Financial Statements, and Supplementary Schedules.

The Balance Sheet at June 30, 2005, indicates total assets of \$18,679,819, total liabilities of \$1,948,546 and net assets of \$16,731,273. Total current assets were \$3,264,598, and total current liabilities were \$1,948,546 for a current ratio of 1.68.

The Statement of Revenues, Expenses, and Changes in Net Assets indicates total operating revenues of \$11,659,766, and total operating expenses of \$12,235,047 for an operating loss of \$575,281. Net nonoperating revenue of \$887,697, along with scholarship fund income of \$97, brings the total revenues in excess of expenses to \$312,513 for 2005 which increased the net assets from \$16,418,760 to \$16,731,273.

As reported in the Statement of Cash Flows, cash and cash equivalents decreased from \$59,319 at June 30, 2004, to \$47,259 at June 30, 2005. The net decrease in cash and cash equivalents of \$12,060 came from operating activities of \$<349,225>, financing activities of <\$69,780> and investing activities of \$406,945.

There are notes to the financial statements included in the audit report. All of the notes are consistent with and similar to audit reports from prior years. The reader is encouraged to examine at his or her leisure.

The Supplementary Schedules give the reader much more detail than is disclosed in the Statement of Revenues, Expenses, and Changes in Net Assets. The revenues are detailed by department and by patient status, and also compared with the previous year. The expenses are detailed by department and by natural expense classification, and also compared to the previous year.

## **Significant Budget Variations**

The most significant budget variance was utilities of \$174,946 due to additional rate increases, the elimination of cogeneration process, and the installation of HVAC equipment.

## **Capital Assets**

Jackson County Public Hospital's capital assets as of June 30, 2005, amounted to \$12,882,843 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment and a remodeling project in progress.

At year-end, Jackson County Public Hospital had \$223,265 in debt outstanding. This will be paid in full by October 2005.

There are no large capital improvements or construction projects planned for fiscal year 2006. The Hospital plans on evaluating the feasibility of developing a new specialty clinic area outside of the Emergency Department with a decision expected early in fiscal year 2007. Preliminary estimates for this are in excess of \$300,000.

Other large capital expenditures scheduled for fiscal year 2006 include the purchase and installation of transcription and radiology information systems packages along with a flexible endoscopy system totaling approximately \$142,000.

Purchase of capital assets and retirement of debt are expected to come from operating cash and non-operating funds (primarily from the annual tax levy of \$795,000).

**JACKSON COUNTY PUBLIC HOSPITAL**  
**BALANCE SHEETS**  
**JUNE 30, 2005 AND 2004**

|   | <u>2005</u>                  | <u>2004</u>                  |
|---|------------------------------|------------------------------|
| <b>ASSETS</b>   |                              |                              |
| <b>CURRENT ASSETS</b>   |                              |                              |
| Cash and cash equivalents   | \$ 47,259                    | \$ 59,319                    |
| Receivables   |                              |                              |
| Patient and resident, net of estimated uncollectibles<br>of \$739,000 in 2005 and \$843,000 in 2004 | 1,529,916                    | 1,557,902                    |
| Succeeding year property tax receivable   | 795,000                      | 795,000                      |
| Estimated third-party payor settlements   | 382,000                      | 93,000                       |
| Other   | 17,473                       | 5,865                        |
| Supplies  | 336,089                      | 292,807                      |
| Prepaid expenses  | <u>156,861</u>               | <u>65,468</u>                |
| <br>Total current assets  | <br><u>3,264,598</u>         | <br><u>2,869,361</u>         |
| <br><b>ASSETS LIMITED AS TO USE - Note 4</b>  |                              |                              |
| Investments   |                              |                              |
| By board for capital improvements   | <u>2,532,378</u>             | <u>2,899,584</u>             |
| <br><b>LAND, BUILDINGS, AND EQUIPMENT, net - Note 5</b>   | <br><u>12,882,843</u>        | <br><u>13,284,589</u>        |
| <br><br>Total assets  | <br><br><u>\$ 18,679,819</u> | <br><br><u>\$ 19,053,534</u> |

See notes to financial statements.

|  | <u>2005</u>              | <u>2004</u>              |
|--|--------------------------|--------------------------|
| <b>LIABILITIES AND NET ASSETS</b>                            |                          |                          |
| <b>CURRENT LIABILITIES</b>                                   |                          |                          |
| Note payable - Note 6  | \$ 223,265               | \$ 225,000               |
| Accounts payable   |                          |                          |
| Trade  | 305,965                  | 560,166                  |
| Construction   | -                        | 463,799                  |
| Accrued expenses   |                          |                          |
| Salaries and wages   | 163,092                  | 146,277                  |
| Paid leave   | 360,191                  | 339,276                  |
| Payroll taxes and other                                      | 101,033                  | 105,256                  |
| Deferred revenue for succeeding year property tax receivable | <u>795,000</u>           | <u>795,000</u>           |
| <br>Total current liabilities                                | <br><u>1,948,546</u>     | <br><u>2,634,774</u>     |
| <b>NET ASSETS</b>  |                          |                          |
| Invested in capital assets, net of related debt              | 12,659,578               | 13,059,589               |
| Unrestricted   | 4,025,650                | 3,313,224                |
| Restricted   |                          |                          |
| Expendable for scholarships                                  | 16,045                   | 15,947                   |
| Nonexpendable permanent endowments                           | <u>30,000</u>            | <u>30,000</u>            |
| <br>Total net assets   | <br><u>16,731,273</u>    | <br><u>16,418,760</u>    |
| <br>Total liabilities and net assets                         | <br><u>\$ 18,679,819</u> | <br><u>\$ 19,053,534</u> |

**JACKSON COUNTY PUBLIC HOSPITAL**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

|  | <u>2005</u>          | <u>2004</u>          |
|--|----------------------|----------------------|
| OPERATING REVENUES   |                      |                      |
| Net patient and resident service revenue (net of provision for bad debts of \$408,812 in 2005 and \$423,930 in 2004) - Notes 2 and 3 | \$ 11,548,165        | \$ 11,299,114        |
| Other operating revenues   | <u>111,601</u>       | <u>120,604</u>       |
| TOTAL OPERATING REVENUES   | <u>11,659,766</u>    | <u>11,419,718</u>    |
| OPERATING EXPENSES   |                      |                      |
| Salaries and wages   | 5,330,459            | 5,217,430            |
| Supplies and other expenses  | 5,586,162            | 5,469,392            |
| Depreciation   | <u>1,318,426</u>     | <u>920,980</u>       |
| TOTAL OPERATING EXPENSES   | <u>12,235,047</u>    | <u>11,607,802</u>    |
| LOSS FROM OPERATIONS   | <u>(575,281)</u>     | <u>(188,084)</u>     |
| NONOPERATING REVENUES (EXPENSES)   |                      |                      |
| County tax revenue   | 792,815              | 795,680              |
| Noncapital grants and contributions  | 60,138               | 36,351               |
| Investment income  | 39,062               | 39,496               |
| Gain (loss) on disposal of equipment   | <u>(4,318)</u>       | <u>4,186</u>         |
| TOTAL NONOPERATING REVENUES (EXPENSES)   | <u>887,697</u>       | <u>875,713</u>       |
| REVENUES IN EXCESS OF EXPENSES BEFORE CHANGES IN SCHOLARSHIP FUNDS   | 312,416              | 687,629              |
| Investment income on scholarship funds   | 677                  | 433                  |
| Scholarships awarded   | <u>(580)</u>         | <u>(603)</u>         |
| INCREASE IN NET ASSETS   | 312,513              | 687,459              |
| NET ASSETS BEGINNING OF YEAR   | <u>16,418,760</u>    | <u>15,731,301</u>    |
| NET ASSETS END OF YEAR   | <u>\$ 16,731,273</u> | <u>\$ 16,418,760</u> |

See notes to financial statements.

**JACKSON COUNTY PUBLIC HOSPITAL**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

|   | <u>2005</u>        | <u>2004</u>        |
|---|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |                    |                    |
| Receipts of patient and resident service revenue                  | \$ 11,287,151      | \$ 11,286,553      |
| Other receipts  | 99,993             | 132,990            |
| Payments of salaries and wages                                    | (5,296,952)        | (5,143,526)        |
| Payments of supplies and other expenses                           | <u>(6,439,417)</u> | <u>(5,468,883)</u> |
| <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>       | <u>(349,225)</u>   | <u>807,134</u>     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>            |                    |                    |
| County tax revenue received                                       | 792,815            | 795,680            |
| Noncapital grants and contributions received                      | <u>60,138</u>      | <u>36,351</u>      |
| <b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>       | <u>852,953</u>     | <u>832,031</u>     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |                    |                    |
| Purchase of property and equipment                                | (920,998)          | (6,596,259)        |
| Proceeds from sale of equipment                                   | -                  | 15,811             |
| Payments on note payable  | (527,735)          | -                  |
| Proceeds from note payable  | <u>526,000</u>     | <u>225,000</u>     |
| <b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <u>(922,733)</u>   | <u>(6,355,448)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |                    |                    |
| Decrease in assets limited as to use                              | 367,206            | 4,678,719          |
| Investment income received  | <u>39,739</u>      | <u>47,556</u>      |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>                  | <u>406,945</u>     | <u>4,726,275</u>   |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>       | (12,060)           | 9,992              |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>             | <u>59,319</u>      | <u>49,327</u>      |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                   | <u>\$ 47,259</u>   | <u>\$ 59,319</u>   |

(continued)

**JACKSON COUNTY PUBLIC HOSPITAL**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

|   | <u>2005</u>         | <u>2004</u>       |
|---|---------------------|-------------------|
| RECONCILIATION OF LOSS FROM OPERATIONS TO NET   |                     |                   |
| CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES  |                     |                   |
| Loss from operations  | \$ (575,281)        | \$ (188,084)      |
| Adjustments to reconcile loss from operations to net cash provided by (used for) operating activities |                     |                   |
| Depreciation  | 1,318,426           | 920,980           |
| Amortization of physician advances  | -                   | 4,466             |
| Restricted scholarships awarded   | (580)               | (603)             |
| Provision for bad debts   | 408,812             | 423,930           |
| Changes in assets and liabilities   |                     |                   |
| Receivables   | (392,434)           | (381,105)         |
| Supplies  | (43,282)            | (47,647)          |
| Prepaid expenses  | (91,393)            | 28,520            |
| Accounts payable  | (718,000)           | 15,773            |
| Estimated third party payor settlements   | (289,000)           | (43,000)          |
| Accrued expenses  | <u>33,507</u>       | <u>73,904</u>     |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES  | <u>\$ (349,225)</u> | <u>\$ 807,134</u> |
| SUPPLEMENTAL NONCASH CAPITAL ACTIVITY   |                     |                   |
| Capital asset purchases included in accounts payable  | <u>\$ -</u>         | <u>\$ 665,410</u> |

**JACKSON COUNTY PUBLIC HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization*

Jackson County Public Hospital (Hospital) consists of a 25-bed acute care hospital and an 18-bed skilled nursing/long-term care facility, located in Maquoketa, Iowa. It is organized under Chapter 347 of the Iowa Code and governed by a seven member Board of Trustees elected by the public for terms of six years. The Hospital is an Iowa nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

*Reporting Entity*

For financial reporting purposes, Jackson County Public 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 Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital. The Hospital has no component units which meet the Governmental Accounting Standards Board criteria.

*Basis of Presentation*

The balance sheet displays the Hospital's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management 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.

*Basis of Accounting*

The Hospital reports in accordance with accounting principles generally accepted in the United States of America as specified by the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Health Care Organizations* and, as a governmental entity, also provides certain disclosures required by the Governmental Accounting Standards Board (GASB). Revenues are recognized when earned and expenses are recorded when the liability is incurred.

**JACKSON COUNTY PUBLIC HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

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In reporting its financial activity, the Hospital applies all applicable GASB pronouncements for proprietary funds as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

*Use of Estimates*

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

*Cash and Cash Equivalents*

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less when purchased, excluding assets limited as to use.

*Patient and Resident Receivables*

Patient and resident receivables are uncollateralized customer and third-party payor obligations. Unpaid patient and resident receivables are not charged interest on amounts owed.

Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients, residents, and third-party payors. Management reviews patient and resident receivables by payor 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 and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision. Management also reviews accounts to determine if classification as charity care is appropriate.

*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 Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of 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.

**JACKSON COUNTY PUBLIC HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

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*Supplies*

Supplies are stated at lower of average cost or market.

*Assets Limited as to Use*

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

*Restricted Net Assets*

Restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors, from unrestricted net assets on which donors or grantors place no restriction or which arise as a result of the operations of the Hospital for its stated purposes.

*Land, Buildings, and Equipment*

Land, buildings, and equipment acquisitions in excess of \$2,000 are capitalized and recorded at cost. Land, buildings, and equipment donated for Hospital operations are recorded as additions to net assets at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of land, buildings, and equipment are as follows:

|                   |            |
|-------------------|------------|
| Land improvements | 8-20 years |
| Buildings         | 5-56 years |
| Equipment         | 3-25 years |

*Donated Assets*

Donated supplies; investments; and land, buildings, and equipment are recorded at fair value at date of donation, which then is treated as cost.

*Compensated Absences*

Hospital employees accumulate a limited amount of earned but unused paid leave hours for subsequent use or for payment upon termination, death, or retirement. The cost of paid leave is recorded as a current liability on the balance sheet. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005.

*Deferred Revenue*

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of succeeding year property tax receivable.

**JACKSON COUNTY PUBLIC HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

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*Operating Revenues and Expenses*

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

*Net Patient and Resident Service Revenue*

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

*Charity Care*

To fulfill its mission of community service, the Hospital provides care to patients and residents who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients and residents is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as adjustments to patient and resident service revenue depending on the timing of the charity determination.

*Investment Income*

Investment income consists entirely of interest on cash and deposits and is included in nonoperating revenues and expenses.

*Advertising Costs*

The Hospital expenses advertising costs as incurred.

*Grants and Contributions*

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

**JACKSON COUNTY PUBLIC HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

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*Reclassifications*

Certain prior period amounts within the accompanying statements have been reclassified for comparability.

*Other Significant Accounting Policies*

Other significant accounting policies are set forth in the financial statements and the notes thereto.

**NOTE 2 – CHARITY CARE**

The Hospital maintains records to identify and monitor the level of charity care it provides. The amounts of charges foregone for services and supplies furnished under its charity care policy during the years ended June 30, 2005 and 2004, were \$64,825 and \$21,142, respectively.

**NOTE 3 – NET PATIENT AND RESIDENT SERVICE REVENUE**

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

**Medicare**

The Hospital is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through the year ended June 30, 2003. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital.

**Medicaid**

**Hospital**

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been processed by the Medicaid fiscal intermediary through June 30, 2002.

**Nursing Home**

Routine services rendered to nursing home residents who are beneficiaries of the Medicaid program are paid according to a schedule of prospectively determined daily rates.

**JACKSON COUNTY PUBLIC HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

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**Other Payors**

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

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation.

A summary of net patient and resident service revenue and contractual adjustments for the years ended June 30, 2005 and 2004, is as follows:

|  | <u>2005</u>          | <u>2004</u>          |
|--|----------------------|----------------------|
| Total patient and resident service revenue                                   | <u>\$ 17,321,480</u> | <u>\$ 17,107,116</u> |
| Contractual adjustments  |                      |                      |
| Medicare   | (3,600,888)          | (3,860,604)          |
| Medicaid   | (1,029,365)          | (883,305)            |
| Policy discounts   | (81,855)             | (53,863)             |
| Other  | <u>(652,395)</u>     | <u>(586,300)</u>     |
| Total contractual adjustments  | <u>(5,364,503)</u>   | <u>(5,384,072)</u>   |
| Net patient and resident service revenue                                     | 11,956,977           | 11,723,044           |
| Provision for bad debts  | <u>(408,812)</u>     | <u>(423,930)</u>     |
| Net patient and resident service revenue<br>(net of provision for bad debts) | <u>\$ 11,548,165</u> | <u>\$ 11,299,114</u> |

**NOTE 4 – CASH AND DEPOSITS**

The Hospital's deposits in banks at June 30, 2005 and 2004, 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.

Interest rate risk is the exposure to fair value losses resulting from rising interest rates. The Hospital's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Hospital.

**JACKSON COUNTY PUBLIC HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

At June 30, 2005 and 2004, the Hospital's carrying amounts of investments are as follows:

|                                  | <u>2005</u>         | <u>Maturity</u> | <u>2004</u>         | <u>Maturity</u> |
|----------------------------------|---------------------|-----------------|---------------------|-----------------|
| Money market                     | \$ 2,484,395        |                 | \$ 2,852,366        |                 |
| Certificates of deposit          | 30,000              | September-05    | 30,000              | February-05     |
| Savings accounts                 | 12,983              |                 | 12,218              |                 |
| Investment in Health Enterprises | <u>5,000</u>        |                 | <u>5,000</u>        |                 |
|                                  | <u>\$ 2,532,378</u> |                 | <u>\$ 2,899,584</u> |                 |

**NOTE 5 – LAND, BUILDINGS, AND EQUIPMENT**

A summary of land, buildings, and equipment at June 30, 2005 and 2004, follows:

|  | June 30, 2004        |                     |                   |                    | June 30, 2005        |
|--|----------------------|---------------------|-------------------|--------------------|----------------------|
|  | <u>Balance</u>       | <u>Additions</u>    | <u>Deductions</u> | <u>Transfers</u>   | <u>Balance</u>       |
| <b>Cost</b>                                      |                      |                     |                   |                    |                      |
| Land   | \$ 74,444            | \$ 9,470            | \$ -              | \$ -               | \$ 83,914            |
| Land improvements                                | 139,657              | 10,323              | 26,355            | -                  | 123,625              |
| Buildings  | 13,544,806           | 41,012              | 1,794,190         | 3,340,862          | 15,132,490           |
| Equipment  | 5,028,689            | 475,844             | 290,339           | 112,643            | 5,326,837            |
| Construction in progress                         | <u>3,075,396</u>     | <u>384,753</u>      | <u>-</u>          | <u>(3,453,505)</u> | <u>6,644</u>         |
|  | <u>21,862,992</u>    | <u>921,402</u>      | <u>2,110,884</u>  | <u>-</u>           | <u>20,673,510</u>    |
| <b>Accumulated depreciation</b>                  |                      |                     |                   |                    |                      |
| Land improvements                                | 98,690               | 9,987               | 26,355            | -                  | 82,322               |
| Buildings  | 5,567,513            | 784,332             | 1,794,190         | -                  | 4,557,655            |
| Equipment  | <u>2,912,200</u>     | <u>524,107</u>      | <u>285,617</u>    | <u>-</u>           | <u>3,150,690</u>     |
|  | <u>8,578,403</u>     | <u>1,318,426</u>    | <u>2,106,162</u>  | <u>-</u>           | <u>7,790,667</u>     |
| <b>Total land, buildings, and equipment, net</b> | <u>\$ 13,284,589</u> | <u>\$ (397,024)</u> | <u>\$ 4,722</u>   | <u>\$ -</u>        | <u>\$ 12,882,843</u> |

**JACKSON COUNTY PUBLIC HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

|   | June 30, 2003       |                      |                   |                       | June 30, 2004        |
|---|---------------------|----------------------|-------------------|-----------------------|----------------------|
|   | <u>Balance</u>      | <u>Additions</u>     | <u>Deductions</u> | <u>Transfers</u>      | <u>Balance</u>       |
| Cost                                      |                     |                      |                   |                       |                      |
| Land                                      | \$ 58,128           | \$ 16,316            | \$ -              | \$ -                  | \$ 74,444            |
| Land improvements                         | 139,657             | -                    | -                 | -                     | 139,657              |
| Buildings                                 | 7,730,730           | 5,823,822            | 9,746             | -                     | 13,544,806           |
| Equipment                                 | 4,823,521           | 1,157,001            | 951,833           | -                     | 5,028,689            |
| Construction in progress                  | <u>3,476,276</u>    | <u>5,463,468</u>     | <u>-</u>          | <u>(5,864,348)</u>    | <u>3,075,396</u>     |
|   | <u>16,228,312</u>   | <u>12,460,607</u>    | <u>961,579</u>    | <u>(5,864,348)</u>    | <u>21,862,992</u>    |
| Accumulated depreciation                  |                     |                      |                   |                       |                      |
| Land improvements                         | 89,222              | 9,468                | -                 | -                     | 98,690               |
| Buildings                                 | 5,108,737           | 467,412              | 8,636             | -                     | 5,567,513            |
| Equipment                                 | <u>3,409,418</u>    | <u>444,100</u>       | <u>941,318</u>    | <u>-</u>              | <u>2,912,200</u>     |
|   | <u>8,607,377</u>    | <u>920,980</u>       | <u>949,954</u>    | <u>-</u>              | <u>8,578,403</u>     |
| Total land, buildings, and equipment, net | <u>\$ 7,620,935</u> | <u>\$ 11,539,627</u> | <u>\$ 11,625</u>  | <u>\$ (5,864,348)</u> | <u>\$ 13,284,589</u> |

Construction in progress at June 30, 2005, consisted of a pharmacy remodeling project. The estimated total cost of this project is \$100,000 which will be financed with cash from operations.

**NOTE 6 – NOTE PAYABLE**

Note payable consists of amounts drawn on a 2.65% fixed rate loan with a bank. The loan is secured by the net revenues of the Hospital.

**NOTE 7 – PENSION AND RETIREMENT BENEFITS**

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

Plan members are required to contribute 3.70% of their annual covered salary, and the Hospital is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004, and 2003. Contribution requirements are established by state statute. The Hospital's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003, were \$302,123, \$296,905, and \$281,307, respectively, equal to the required contributions for each year.

**JACKSON COUNTY PUBLIC HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

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**NOTE 8 – MALPRACTICE INSURANCE**

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

**NOTE 9 – RISK MANAGEMENT**

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

**NOTE 10 – CONCENTRATION OF CREDIT RISK**

The Hospital grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors, patients, and residents at June 30, 2005 and 2004, was as follows:

|   | <u>2005</u>   | <u>2004</u>   |
|---|---------------|---------------|
| Medicare  | 39.9%         | 42.8%         |
| Medicaid  | 14.2          | 13.0          |
| Blue Cross  | 10.0          | 8.0           |
| Other third-party payors, patients, and residents | <u>35.9</u>   | <u>36.2</u>   |
|   | <u>100.0%</u> | <u>100.0%</u> |



CPAs & BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON  
SUPPLEMENTARY INFORMATION**

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The Board of Trustees  
Jackson County Public Hospital  
Maquoketa, Iowa

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Eide Bailly LLP*

Dubuque, Iowa  
August 24, 2005

**JACKSON COUNTY PUBLIC HOSPITAL**  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS – BUDGET AND ACTUAL (CASH BASIS)**  
**YEAR ENDED JUNE 30, 2005**

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|   | Actual<br>Accrual<br>Basis | Accrual<br>Adjustments | Actual<br>Cash Basis | Budget              | Variance<br>Favorable<br>(Unfavorable) |
|---|----------------------------|------------------------|----------------------|---------------------|--|
| Estimated amount to be raised by taxation | \$ 792,815                 | \$ -                   | \$ 792,815           | \$ 795,000          | \$ (2,185)                             |
| Estimated other revenues/receipts         | <u>11,754,745</u>          | <u>257,696</u>         | <u>12,012,441</u>    | <u>19,165,679</u>   | <u>(7,153,238)</u>                     |
|   | 12,547,560                 | 257,696                | 12,805,256           | 19,960,679          | (7,155,423)                            |
| Expenses/disbursements                    | <u>12,235,047</u>          | <u>949,475</u>         | <u>13,184,522</u>    | <u>19,975,679</u>   | <u>6,791,157</u>                       |
| Net                                       | 312,513                    | (691,779)              | (379,266)            | (15,000)            | <u>\$ (364,266)</u>                    |
| Balance beginning of year                 | <u>16,418,760</u>          | <u>(13,459,857)</u>    | <u>2,958,903</u>     | <u>2,555,000</u>    |  |
| Balance end of year                       | <u>\$16,731,273</u>        | <u>\$(14,151,636)</u>  | <u>\$ 2,579,637</u>  | <u>\$ 2,540,000</u> |  |

This budgetary comparison is presented as 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 cash 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.

**JACKSON COUNTY PUBLIC HOSPITAL**  
**SCHEDULES OF NET PATIENT AND RESIDENT SERVICE REVENUE**  
**YEAR ENDED JUNE 30, 2005**  
**WITH COMPARATIVE TOTALS FOR 2004**

|   | 2005                |                      |                      | 2004                 |
|---|---------------------|----------------------|----------------------|----------------------|
|   | Inpatient           | Outpatient           | Total                | Total                |
| <b>PATIENT AND RESIDENT SERVICE REVENUE</b>                               |                     |                      |                      |                      |
| Routine services  | \$ 1,063,022        | \$ 248,253           | \$ 1,311,275         | \$ 1,289,300         |
| Delivery and labor rooms  | 52,660              | 12,260               | 64,920               | 42,677               |
| Intensive care  | 49,184              | 1,160                | 50,344               | 53,453               |
| Intermediate care   | 921,731             | -                    | 921,731              | 914,050              |
| Nursery   | 117,758             | 29,404               | 147,162              | 122,131              |
| Skilled nursing facility  | 75,534              | -                    | 75,534               | 106,530              |
| Operating and recovery rooms  | 236,688             | 1,264,189            | 1,500,877            | 1,493,136            |
| Emergency services  | 35,713              | 1,841,881            | 1,877,594            | 1,799,492            |
| Ambulance   | 43,717              | 594,984              | 638,701              | 677,303              |
| Medical supplies  | 176,357             | 347,817              | 524,174              | 482,985              |
| Dialysis  | 12,720              | 871,320              | 884,040              | 998,997              |
| Respiratory therapy   | 217,561             | 218,417              | 435,978              | 414,886              |
| Laboratory and blood bank   | 351,498             | 1,146,280            | 1,497,778            | 1,262,768            |
| Radiology   | 223,381             | 2,912,711            | 3,136,092            | 2,778,992            |
| Nuclear medicine  | -                   | 53,430               | 53,430               | 225,976              |
| Pharmacy  | 1,509,179           | 938,221              | 2,447,400            | 2,545,530            |
| Anesthesiology  | 74,734              | 199,700              | 274,434              | 260,175              |
| Physical therapy  | 102,561             | 536,781              | 639,342              | 654,666              |
| Cardiac rehab   | 3,475               | 94,272               | 97,747               | 99,380               |
| Occupational and speech therapy   | 58,808              | 96,989               | 155,797              | 199,276              |
| Community health Clinic   | -                   | 622,833              | 622,833              | 676,830              |
|   | -                   | 29,122               | 29,122               | 29,725               |
|   | <u>\$ 5,326,281</u> | <u>\$ 12,060,024</u> | 17,386,305           | 17,128,258           |
| Charity care  |                     |                      | (64,825)             | (21,142)             |
| Total patient and resident service revenue                                |                     |                      | <u>17,321,480</u>    | <u>17,107,116</u>    |
| <b>CONTRACTUAL ADJUSTMENTS</b>  |                     |                      |                      |                      |
| Medicare  |                     |                      | (3,600,888)          | (3,860,604)          |
| Medicaid  |                     |                      | (1,029,365)          | (883,305)            |
| Policy discounts  |                     |                      | (81,855)             | (53,863)             |
| Other   |                     |                      | (652,395)            | (586,300)            |
| Total contractual adjustments   |                     |                      | <u>(5,364,503)</u>   | <u>(5,384,072)</u>   |
| NET PATIENT AND RESIDENT SERVICE REVENUE                                  |                     |                      | 11,956,977           | 11,723,044           |
| PROVISION FOR BAD DEBTS   |                     |                      | <u>(408,812)</u>     | <u>(423,930)</u>     |
| NET PATIENT AND RESIDENT SERVICE REVENUE (NET OF PROVISION FOR BAD DEBTS) |                     |                      | <u>\$ 11,548,165</u> | <u>\$ 11,299,114</u> |

**JACKSON COUNTY PUBLIC HOSPITAL  
SCHEDULES OF OTHER OPERATING REVENUES  
YEARS ENDED JUNE 30, 2005 AND 2004**

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|                                    | <u>2005</u>           | <u>2004</u>           |
|------------------------------------|-----------------------|-----------------------|
| OTHER OPERATING REVENUES           |                       |                       |
| Meals on wheels                    | \$ 29,530             | \$ 34,570             |
| Diabetic education                 | 20,092                | 25,137                |
| Home delivered meals               | 13,791                | 12,077                |
| Rent                               | 2,051                 | 1,051                 |
| Purchase discounts                 | 18,607                | 20,524                |
| Medical records transcript fee     | 4,603                 | 4,801                 |
| Ambulance subsidies                | 2,810                 | 2,869                 |
| Dietary consulting                 | 1,750                 | 1,568                 |
| Cafeteria                          | 1,685                 | 1,764                 |
| Education programs                 | 3,694                 | 590                   |
| Other                              | <u>12,988</u>         | <u>15,653</u>         |
| <br>TOTAL OTHER OPERATING REVENUES | <br><u>\$ 111,601</u> | <br><u>\$ 120,604</u> |

**JACKSON COUNTY PUBLIC HOSPITAL**  
**SCHEDULES OF OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

|   | <u>2005</u>    | <u>2004</u>    |
|---|----------------|----------------|
| <b>NURSING ADMINISTRATION</b>                         |                |                |
| Salaries and wages                                    | \$ 109,116     | \$ 101,793     |
| Supplies  | 5,988          | 3,076          |
| Service contracts                                     | 944            | 623            |
| Travel and education                                  | 2,532          | 1,994          |
| Dues and subscriptions                                | 513            | 835            |
| Other   | 3,036          | 548            |
|   | <u>122,129</u> | <u>108,869</u> |
| <b>ROUTINE SERVICES</b>                               |                |                |
| Salaries and wages                                    | 765,783        | 850,571        |
| Supplies  | 28,159         | 25,955         |
| Repairs and maintenance                               | -              | 213            |
| Service contracts                                     | 39,987         | 25,954         |
| Travel and education                                  | 1,038          | 4,511          |
| Dues and subscriptions                                | -              | 200            |
| Other   | 3,165          | 3,513          |
|   | <u>838,132</u> | <u>910,917</u> |
| <b>INTENSIVE CARE</b>                                 |                |                |
| Salaries and wages                                    | 10,349         | 11,174         |
| Supplies  | 711            | 1,584          |
| Service contracts                                     | 7,788          | 7,788          |
| Travel and education                                  | 47             | 801            |
|   | <u>18,895</u>  | <u>21,347</u>  |
| <b>DELIVERY AND LABOR ROOMS</b>                       |                |                |
| Salaries and wages                                    | <u>35,901</u>  | <u>38,455</u>  |
| <b>NURSERY</b>  |                |                |
| Salaries and wages                                    | 19,746         | 21,150         |
| Supplies  | 29             | 4              |
|   | <u>19,775</u>  | <u>21,154</u>  |
| <b>SKILLED NURSING FACILITY AND INTERMEDIATE CARE</b> |                |                |
| Salaries and wages                                    | 504,034        | 485,906        |
| Supplies  | 22,440         | 24,853         |
| Repairs and maintenance                               | 299            | 177            |
| Service contracts                                     | 21,740         | 19,066         |
| Travel and education                                  | 2,593          | 2,044          |
| Dues and subscriptions                                | 1,473          | 1,595          |
| Other   | 6,605          | 10,048         |
|   | <u>559,184</u> | <u>543,689</u> |

(continued)

**JACKSON COUNTY PUBLIC HOSPITAL**  
**SCHEDULES OF OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

|                                     | <u>2005</u>    | <u>2004</u>    |
|-------------------------------------|----------------|----------------|
| <b>OPERATING AND RECOVERY ROOMS</b> |                |                |
| Salaries and wages                  | \$ 191,333     | \$ 168,424     |
| Supplies                            | 58,153         | 22,619         |
| Repairs and maintenance             | 10,769         | 6,081          |
| Service contracts                   | 10,050         | 6,101          |
| Travel and education                | 16             | 148            |
| Dues and subscriptions              | 48             | 35             |
| Other                               | 8,093          | 787            |
|                                     | <u>278,462</u> | <u>204,195</u> |
| <b>EMERGENCY SERVICES</b>           |                |                |
| Salaries and wages                  | 380,245        | 388,216        |
| Supplies                            | 20,580         | 19,017         |
| Repairs and maintenance             | -              | 352            |
| Service contracts                   | 406,975        | 409,596        |
| Travel and education                | 2,646          | 658            |
| Dues and subscriptions              | 665            | 95             |
| Other                               | 1,155          | 6,169          |
|                                     | <u>812,266</u> | <u>824,103</u> |
| <b>AMBULANCE</b>                    |                |                |
| Salaries and wages                  | 324,837        | 312,270        |
| Supplies                            | 17,480         | 11,497         |
| Repairs and maintenance             | 8,630          | 4,699          |
| Service contracts                   | 4,472          | 4,472          |
| Travel and education                | 687            | 511            |
| Dues and subscriptions              | 15             | 175            |
| Other                               | 10,956         | 3,812          |
|                                     | <u>367,077</u> | <u>337,436</u> |
| <b>MEDICAL SUPPLIES</b>             |                |                |
| Salaries and wages                  | 24,619         | 23,089         |
| Supplies                            | 231,465        | 229,801        |
| Repairs and maintenance             | 17,492         | 14,718         |
| Service contracts                   | 24,188         | 24,287         |
| Travel and education                | 112            | 110            |
| Other                               | 3,193          | 6,886          |
|                                     | <u>301,069</u> | <u>298,891</u> |

(continued)

**JACKSON COUNTY PUBLIC HOSPITAL**  
**SCHEDULES OF OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

|                                  | <u>2005</u>    | <u>2004</u>    |
|----------------------------------|----------------|----------------|
| <b>DIALYSIS</b>                  |                |                |
| Salaries and wages               | \$ 149,521     | \$ 159,070     |
| Supplies                         | 160,759        | 181,202        |
| Repairs and maintenance          | 12,888         | 10,292         |
| Service contracts                | 13,000         | 13,244         |
| Travel and education             | 1,882          | 1,446          |
| Dues and subscriptions           | 125            | 175            |
| Other                            | 380            | 2,647          |
|                                  | <u>338,555</u> | <u>368,076</u> |
| <b>RESPIRATORY THERAPY</b>       |                |                |
| Salaries and wages               | 38,142         | 29,656         |
| Supplies                         | 1,998          | 1,135          |
| Service contracts                | 4,968          | 5,218          |
| Other                            | -              | 575            |
|                                  | <u>45,108</u>  | <u>36,584</u>  |
| <b>LABORATORY AND BLOOD BANK</b> |                |                |
| Salaries and wages               | 271,390        | 247,184        |
| Supplies                         | 256,132        | 205,974        |
| Repairs and maintenance          | 531            | 546            |
| Service contracts                | 126,888        | 127,142        |
| Travel and education             | 2,219          | 1,226          |
| Dues and subscriptions           | 150            | 140            |
| Other                            | 10,830         | 8,923          |
|                                  | <u>668,140</u> | <u>591,135</u> |
| <b>RADIOLOGY</b>                 |                |                |
| Salaries and wages               | 202,900        | 192,912        |
| Supplies                         | 57,495         | 63,025         |
| Nuclear medicine expense         | 273,558        | 264,752        |
| Repairs and maintenance          | 4,043          | 4,075          |
| Service contracts                | 68,884         | 46,422         |
| Travel and education             | 53             | 48             |
| Dues and subscriptions           | 4,637          | 1,766          |
| Other                            | 4,655          | 1,432          |
|                                  | <u>616,225</u> | <u>574,432</u> |

(continued)

**JACKSON COUNTY PUBLIC HOSPITAL**  
**SCHEDULES OF OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

|                         | <u>2005</u>    | <u>2004</u>    |
|-------------------------|----------------|----------------|
| <b>PHARMACY</b>         |                |                |
| Salaries and wages      | \$ 149,707     | \$ 130,236     |
| Supplies                | 503,031        | 522,860        |
| Repairs and maintenance | 7,787          | 7,692          |
| Service contracts       | 6,870          | 6,891          |
| Travel and education    | 215            | 429            |
| Dues and subscriptions  | 541            | 1,012          |
| Other                   | 3,095          | 7,521          |
|                         | <u>671,246</u> | <u>676,641</u> |
| <b>ANESTHESIOLOGY</b>   |                |                |
| Salaries and wages      | 244,373        | 183,854        |
| Professional fees       | 15,226         | 10,015         |
| Supplies                | 1,667          | 4,217          |
| Repairs and maintenance | -              | 2,531          |
| Service contracts       | 11,231         | 3,050          |
| Travel and education    | 986            | 2,543          |
| Dues and subscriptions  | 495            | 1,220          |
| Other                   | 375            | 494            |
|                         | <u>274,353</u> | <u>207,924</u> |
| <b>PHYSICAL THERAPY</b> |                |                |
| Salaries and wages      | 213,976        | 192,755        |
| Supplies                | 4,148          | 5,770          |
| Repairs and maintenance | 406            | 57             |
| Service contracts       | 1,305          | 1,305          |
| Travel and education    | 4,533          | 3,701          |
| Dues and subscriptions  | 555            | 505            |
| Other                   | 1,618          | 3,585          |
|                         | <u>226,541</u> | <u>207,678</u> |
| <b>CARDIAC REHAB</b>    |                |                |
| Salaries and wages      | 44,461         | 41,194         |
| Supplies                | 371            | 542            |
| Repairs and maintenance | 100            | 1,837          |
| Service contracts       | 4,298          | 4,298          |
| Travel and education    | 300            | 334            |
| Dues and subscriptions  | 380            | 150            |
| Other                   | (714)          | 91             |
|                         | <u>49,196</u>  | <u>48,446</u>  |

(continued)

**JACKSON COUNTY PUBLIC HOSPITAL**  
**SCHEDULES OF OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

|                             | <u>2005</u>    | <u>2004</u>    |
|-----------------------------|----------------|----------------|
| <b>OCCUPATIONAL THERAPY</b> |                |                |
| Professional fees           | \$ 50,256      | \$ 62,048      |
| Other                       | -              | 310            |
|                             | <u>50,256</u>  | <u>62,358</u>  |
| <b>SPEECH THERAPY</b>       |                |                |
| Professional fees           | 20,629         | 23,842         |
| Other                       | 2              | 333            |
|                             | <u>20,631</u>  | <u>24,175</u>  |
| <b>COMMUNITY HEALTH</b>     |                |                |
| Salaries and wages          | 374,472        | 385,353        |
| Supplies                    | 22,573         | 51,868         |
| Repairs and maintenance     | 416            | 89             |
| Service contracts           | 104            | 104            |
| Travel and education        | 26,212         | 28,952         |
| Dues and subscriptions      | 431            | 1,096          |
| Other                       | 15,502         | 7,283          |
|                             | <u>439,710</u> | <u>474,745</u> |
| <b>SOCIAL SERVICES</b>      |                |                |
| Salaries and wages          | 44,308         | 39,669         |
| Supplies                    | 117            | 105            |
| Travel and education        | 909            | 599            |
| Dues and subscriptions      | -              | 75             |
| Other                       | 104            | -              |
|                             | <u>45,438</u>  | <u>40,448</u>  |
| <b>MEDICAL RECORDS</b>      |                |                |
| Salaries and wages          | 140,265        | 169,209        |
| Professional fees           | 528            | -              |
| Supplies                    | 2,894          | 3,848          |
| Repairs and maintenance     | 250            | 694            |
| Service contracts           | 32,492         | 23,415         |
| Travel and education        | 119            | 1,006          |
| Dues and subscriptions      | 3,369          | 1,257          |
| Other                       | 1,898          | 2,155          |
|                             | <u>181,815</u> | <u>201,584</u> |

(continued)

**JACKSON COUNTY PUBLIC HOSPITAL**  
**SCHEDULES OF OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

|                           | <u>2005</u>    | <u>2004</u>    |
|---------------------------|----------------|----------------|
| <b>DIETARY</b>            |                |                |
| Salaries and wages        | \$ 232,641     | \$ 218,410     |
| Supplies                  | 116,139        | 117,477        |
| Repairs and maintenance   | 2,870          | 3,122          |
| Service contracts         | 959            | 1,176          |
| Travel and education      | 2,019          | 1,373          |
| Dues and subscriptions    | -              | 40             |
| Other                     | 712            | 312            |
|                           | <u>355,340</u> | <u>341,910</u> |
| <b>OPERATION OF PLANT</b> |                |                |
| Salaries and wages        | 176,915        | 178,605        |
| Supplies                  | 43,574         | 34,292         |
| Repairs and maintenance   | 36,311         | 36,202         |
| Service contracts         | 17,000         | 13,009         |
| Travel and education      | 232            | 169            |
| Utilities                 | 479,387        | 317,975        |
| Other                     | 13,871         | 6,951          |
|                           | <u>767,290</u> | <u>587,203</u> |
| <b>HOUSEKEEPING</b>       |                |                |
| Salaries and wages        | 142,551        | 139,677        |
| Supplies                  | 19,025         | 22,448         |
| Repairs and maintenance   | 1,462          | 2,488          |
| Other                     | 4,078          | 3,000          |
|                           | <u>167,116</u> | <u>167,613</u> |
| <b>LAUNDRY</b>            |                |                |
| Salaries and wages        | 62,942         | 58,007         |
| Supplies                  | 17,320         | 18,268         |
| Repairs and maintenance   | 2,071          | 1,817          |
| Other                     | 24             | 30             |
|                           | <u>82,357</u>  | <u>78,122</u>  |
| <b>PURCHASING</b>         |                |                |
| Salaries and wages        | 63,295         | 57,984         |
| Supplies                  | 1,968          | 13,337         |
| Service contracts         | 10,500         | 5,324          |
| Travel and education      | 1,597          | 1,197          |
| Utilities                 | 95             | 70             |
| Other                     | -              | 2,677          |
|                           | <u>77,455</u>  | <u>80,589</u>  |

(continued)

**JACKSON COUNTY PUBLIC HOSPITAL**  
**SCHEDULES OF OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

|                                 | <u>2005</u>          | <u>2004</u>          |
|---------------------------------|----------------------|----------------------|
| <b>ADMINISTRATIVE SERVICES</b>  |                      |                      |
| Salaries and wages              | \$ 412,637           | \$ 392,607           |
| Professional fees               | 121,516              | 101,327              |
| Supplies                        | 59,271               | 72,178               |
| Repairs and maintenance         | 1,028                | 946                  |
| Service contracts               | 294,490              | 415,378              |
| Travel and education            | 6,117                | 6,386                |
| Telephone                       | 30,944               | 32,578               |
| Recruitment                     | 8,575                | 5,625                |
| Insurance                       | 90,850               | 99,626               |
| Dues and subscriptions          | 25,470               | 27,645               |
| Other                           | 30,133               | 46,978               |
|                                 | <u>1,081,031</u>     | <u>1,201,274</u>     |
| <b>UNASSIGNED EXPENSES</b>      |                      |                      |
| Depreciation                    | 1,318,426            | 920,980              |
| Employee benefits               |                      |                      |
| Payroll taxes                   | 686,685              | 687,627              |
| Insurance                       | 717,824              | 712,216              |
| Other                           | 1,419                | 6,986                |
|                                 | <u>2,724,354</u>     | <u>2,327,809</u>     |
| <b>TOTAL OPERATING EXPENSES</b> | <u>\$ 12,235,047</u> | <u>\$ 11,607,802</u> |

**JACKSON COUNTY PUBLIC HOSPITAL**  
**PATIENT AND RESIDENT RECEIVABLES AND ALLOWANCE FOR DOUBTFUL**  
**ACCOUNTS**  
**JUNE 30, 2005 AND 2004**

**ANALYSIS OF AGING**

| Days Since Discharge                  | 2005                |                  | 2004                |                  |
|---------------------------------------|---------------------|------------------|---------------------|------------------|
|                                       | Amount              | Percent to Total | Amount              | Percent to Total |
| 30 days or less                       | \$ 1,656,104        | 72.99%           | \$ 1,534,355        | 63.91%           |
| 31 to 120 days                        | 438,470             | 19.33%           | 661,644             | 27.56%           |
| 121 to 180 days                       | 52,882              | 2.33%            | 92,756              | 3.86%            |
| 181 days and over                     | <u>121,460</u>      | <u>5.35%</u>     | <u>112,147</u>      | <u>4.67%</u>     |
|                                       | 2,268,916           | <u>100.00%</u>   | 2,400,902           | <u>100.00%</u>   |
| Less: Allowance for doubtful accounts | 152,000             |                  | 163,000             |                  |
| Allowance for contractual adjustments | <u>587,000</u>      |                  | <u>680,000</u>      |                  |
| Net                                   | <u>\$ 1,529,916</u> |                  | <u>\$ 1,557,902</u> |                  |

**ALLOWANCE FOR DOUBTFUL ACCOUNTS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

|   | 2005              | 2004              |
|---|-------------------|-------------------|
| BALANCE, BEGINNING OF YEAR                    | \$ 163,000        | \$ 165,000        |
| Add: Provision for bad debts                  | 408,812           | 423,930           |
| Less: Accounts written off, net of recoveries | <u>(419,812)</u>  | <u>(425,930)</u>  |
| BALANCE, END OF YEAR                          | <u>\$ 152,000</u> | <u>\$ 163,000</u> |

**JACKSON COUNTY PUBLIC HOSPITAL**  
**SUPPLIES/PREPAID EXPENSES**  
**JUNE 30, 2005 AND 2004**

|                             | <u>2005</u>           | <u>2004</u>           |
|-----------------------------|-----------------------|-----------------------|
| <b>SUPPLIES</b>             |                       |                       |
| ACCU                        | \$ 2,169              | \$ 2,466              |
| Ambulance                   | 3,017                 | 3,790                 |
| Anesthesia                  | 910                   | 991                   |
| Business office             | 172                   | 124                   |
| Cardiopulmonary             | 101                   | 153                   |
| Central office              | 2,992                 | 2,606                 |
| Dietary                     | 734                   | 771                   |
| Dietary food                | 8,642                 | 8,261                 |
| Emergency room              | 5,252                 | 4,809                 |
| Home health                 | 322                   | 307                   |
| Housekeeping                | 2,915                 | 1,579                 |
| Lab                         | 432                   | 738                   |
| Lab – NI supplies           | 34,166                | 32,669                |
| Maintenance                 | 31,163                | 19,690                |
| Medical records             | 198                   | 84                    |
| OB                          | 1,358                 | 1,030                 |
| OR                          | 2,699                 | 2,529                 |
| OR – NI supplies            | 38,341                | 49,391                |
| Outpatient                  | 196                   | 80                    |
| Pharmacy                    | 956                   | 948                   |
| Pharmacy – Amerisource      | 152,679               | 113,453               |
| Physical therapy            | 1,326                 | 1,027                 |
| Purchasing                  | 37,797                | 37,449                |
| Radiology                   | 5,483                 | 4,278                 |
| SNF                         | 831                   | 766                   |
| Dialysis                    | <u>1,238</u>          | <u>2,818</u>          |
| <br>Total                   | <br><u>\$ 336,089</u> | <br><u>\$ 292,807</u> |
| <br><b>PREPAID EXPENSES</b> |                       |                       |
| Insurance                   | \$ 95,167             | \$ 24,665             |
| Service contracts           | <u>61,694</u>         | <u>40,803</u>         |
| <br>Total                   | <br><u>\$ 156,861</u> | <br><u>\$ 65,468</u>  |

**JACKSON COUNTY PUBLIC HOSPITAL**  
**STATISTICAL INFORMATION**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

|   | 2005         | 2004         |
|---|--------------|--------------|
| <b>PATIENT DAYS</b>                                   |              |              |
| Hospital  |              |              |
| Acute   | 1,469        | 1,504        |
| Swing-bed   | 913          | 1,097        |
| Newborn   | 184          | 154          |
| Nursing home  | 6,149        | 6,629        |
| <b>NUMBER OF BEDS</b>                                 |              |              |
| Hospital  | 25           | 25           |
| Nursing home  | 18           | 18           |
| <b>PERCENTAGE OF OCCUPANCY</b>                        |              |              |
| Hospital (excluding newborn)                          | 26%          | 28%          |
| <b>DISCHARGES</b>                                     |              |              |
| Hospital  |              |              |
| Acute   | 520          | 520          |
| Swing-bed   | 123          | 133          |
| <b>AVERAGE LENGTH OF STAY</b>                         |              |              |
| Hospital  |              |              |
| Acute   | 2.83         | 2.89         |
| Swing-bed   | 7.42         | 8.25         |
| <b>COLLECTION STATISTICS</b>                          |              |              |
| Net accounts receivable – patients and residents      | \$ 1,529,916 | \$ 1,557,902 |
| Number of days charges outstanding (1)                | 47           | 51           |
| Uncollectible accounts (2)                            | \$ 526,654   | \$ 491,192   |
| Percentage of uncollectible accounts to total charges | 3.0%         | 2.9%         |

- (1) Based on average daily net patient and resident service revenue for April, May, and June.  
(2) Includes provision for bad debts, charity care, and collection fees.



CPAs & BUSINESS ADVISORS

**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**

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The Board of Trustees  
Jackson County Public Hospital  
Maquoketa, Iowa

We have audited the accompanying balance sheets of **Jackson County Public Hospital** as of June 30, 2005 and 2004, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended and have issued our report thereon dated August 24, 2005. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the internal control over financial reporting of **Jackson County Public Hospital** in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the ability of **Jackson County Public Hospital** to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part I, item I-A-05, in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital and are reported in Part II of the accompanying Schedule of Findings. 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of **Jackson County Public Hospital** and other parties to whom **Jackson County Public Hospital** may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of **Jackson County Public Hospital** during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
August 24, 2005

**JACKSON COUNTY PUBLIC HOSPITAL  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005**

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

**REPORTABLE CONDITION:**

I-A-05     Segregation of Duties – One important aspect of internal controls is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure optimal internal control.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Hospital should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We are aware of the situation and will continually review the assignment of duties to obtain the maximum internal control possible under the circumstances.

Conclusion – Response accepted.

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

II-A-05     Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05     Certified Budget – Hospital disbursements during the year ended June 30, 2005, did not exceed amounts budgeted.

II-C-05     Questionable Expenditures – We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05     Travel Expense – No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

II-E-05     Business Transactions – No transactions were noted between Hospital and Hospital officials or employees other than those exempted by law: i.e., bankers on the Board of Trustees.

II-F-05     Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-05     Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Hospital's investment policy were noted.