

**JACKSON COUNTY
PUBLIC HOSPITAL
d/b/a JACKSON COUNTY
REGIONAL HEALTH
CENTER**

**JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER**

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**JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
BOARD OF TRUSTEES AND HEALTH CENTER OFFICIALS**

<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>Health Center Officials</u>		
Curt Coleman	Chief Executive Officer	
Donna Roeder	Chief Financial Officer	
Cheryl Shireman	Director of Nursing	



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Jackson County Public Hospital
d/b/a Jackson County Regional Health Center
Maquoketa, Iowa

We have audited the accompanying balance sheets of **Jackson County Public Hospital, d/b/a Jackson County Regional Health Center**, as of June 30, 2006 and 2005, 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 Health Center'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, d/b/a Jackson County Regional Health Center**, as of June 30, 2006 and 2005, 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 2, 2006, on our consideration of the Health Center'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 pages 19 and 20 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 2, 2006

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**Jackson County Public Hospital
d/b/a Jackson County Regional Health Center
Management's Discussion and Analysis
June 30, 2006**

As management of the Jackson County Public Hospital, d/b/a Jackson County Regional Health Center, 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 Health Center's assets exceeded its liabilities by \$17,203,419 at June 30, 2006.
- The Health Center recorded loss from operations of \$499,366 for the fiscal year ending on June 30, 2006.
- 102 days cash on hand was reported at June 30, 2006.
- 51 days in net patient and resident accounts receivable was reported at June 30, 2006.
- The Health Center had 1,988 patient days in 2006, a decrease of 17% from 2005.
- The Health Center had 20,527 outpatient registrations in 2006, a decrease of 7% from 2005.
- The Health Center had 6,232 resident days in 2006, an increase of 1% from 2005.

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, 2006, indicates total assets of \$19,240,315, total liabilities of \$2,036,896 and net assets of \$17,203,419. Total current assets were \$6,031,630, and total current liabilities were \$2,036,896 for a current ratio of 2.96.

The Statements of Revenues, Expenses, and Changes in Net Assets indicates total operating revenues of \$12,022,918, and total operating expenses of \$12,522,284 for an operating loss of \$499,366. Net nonoperating revenue of \$971,185 along with scholarship fund income of \$327, brings the total revenues in excess of expenses to \$472,146 for 2006 which increased the net assets from \$16,731,273 to \$17,203,419.

As reported in the Statement of Cash Flows, cash and cash equivalents increased from \$2,531,654 at June 30, 2005 to \$3,113,384 at June 30, 2006. The net increase in cash and cash equivalents of \$581,730 came from operating activities of \$1,471,626, noncapital financing activities of \$867,343, capital and related financing activities of <\$795,802>, and investing activities of <\$961,437>.

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 them at his or her leisure.

The Supplementary Schedules give the reader much more detail than is disclosed in the Statements 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 \$40,323 due to additional rate increases and usage.

Capital Assets

The capital assets of Jackson County Public Hospital, d/b/a Jackson County Regional Health Center, as of June 30, 2006, amounted to \$12,091,950 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and equipment.

At year-end, Jackson County Public Hospital, d/b/a Jackson County Regional Health Center, had no debt outstanding.

The Health Center plans on evaluating the feasibility of developing a new medical office building along with a specialty clinic area with a decision expected early in fiscal year 2007. Preliminary estimates for this are in excess of 6.8 million dollars.

Other large capital expenditures scheduled for fiscal year 2007 include the purchase and installation of a laparoscopic surgical system, along with a new ambulance totaling approximately \$182,000.

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

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
BALANCE SHEETS
JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,113,384	\$ 2,531,654
Receivables		
Patient and resident, net of estimated uncollectibles		
of \$720,000 in 2006 and \$739,000 in 2005	1,641,465	1,529,916
Succeeding year property tax	795,000	795,000
Estimated third-party payor settlements	-	382,000
Other	33,076	17,473
Supplies	293,291	336,089
Prepaid expense	<u>155,414</u>	<u>156,861</u>
 Total current assets	 <u>6,031,630</u>	 <u>5,748,993</u>
 ASSETS LIMITED AS TO USE - Note 4		
Investments		
By board for capital improvements	<u>1,116,735</u>	<u>47,983</u>
 LAND, BUILDINGS, AND EQUIPMENT, net - Note 5	 <u>12,091,950</u>	 <u>12,882,843</u>
 Total assets	 <u>\$ 19,240,315</u>	 <u>\$ 18,679,819</u>

See notes to financial statements.

	<u>2006</u>	<u>2005</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable - Note 6	\$ -	\$ 223,265
Accounts payable		
Trade	206,308	305,965
Estimated third-party payor settlements	397,866	-
Accrued expenses		
Salaries and wages	174,539	163,092
Paid leave	366,778	360,191
Payroll taxes and other	96,405	101,033
Deferred revenue for succeeding year property tax receivable	<u>795,000</u>	<u>795,000</u>
 Total current liabilities	 <u>2,036,896</u>	 <u>1,948,546</u>
NET ASSETS		
Invested in capital assets, net of related debt	12,091,950	12,659,578
Unrestricted	5,065,100	4,025,650
Restricted		
Expendable for scholarships	16,369	16,045
Nonexpendable permanent endowments	<u>30,000</u>	<u>30,000</u>
 Total net assets	 <u>17,203,419</u>	 <u>16,731,273</u>
 Total liabilities and net assets	 <u>\$ 19,240,315</u>	 <u>\$ 18,679,819</u>

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Net patient and resident service revenue (net of provision for bad debts of \$425,426 in 2006 and \$408,812 in 2005) - Notes 2 and 3	\$ 11,868,930	\$ 11,548,165
Other operating revenues	<u>153,988</u>	<u>111,601</u>
TOTAL OPERATING REVENUES	<u>12,022,918</u>	<u>11,659,766</u>
OPERATING EXPENSES		
Salaries and wages	5,420,879	5,330,459
Supplies and other expenses	5,740,479	5,586,162
Depreciation	<u>1,360,926</u>	<u>1,318,426</u>
TOTAL OPERATING EXPENSES	<u>12,522,284</u>	<u>12,235,047</u>
OPERATING LOSS	<u>(499,366)</u>	<u>(575,281)</u>
NONOPERATING REVENUES (EXPENSES)		
County tax revenue	799,475	792,815
Noncapital grants and contributions	67,868	60,138
Investment income	106,347	39,062
Interest expense	(1,748)	-
Loss on disposal of equipment	<u>(757)</u>	<u>(4,318)</u>
NET NONOPERATING REVENUES	<u>971,185</u>	<u>887,697</u>
REVENUES IN EXCESS OF EXPENSES BEFORE CHANGES IN SCHOLARSHIP FUNDS	471,819	312,416
Investment income on scholarship funds	968	677
Scholarships awarded	<u>(641)</u>	<u>(580)</u>
INCREASE IN NET ASSETS	472,146	312,513
NET ASSETS BEGINNING OF YEAR	<u>16,731,273</u>	<u>16,418,760</u>
NET ASSETS END OF YEAR	<u>\$ 17,203,419</u>	<u>\$ 16,731,273</u>

See notes to financial statements.

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts of patient and resident service revenue	\$ 12,139,381	\$ 11,287,151
Other receipts	138,385	99,993
Payments of salaries and wages	(5,407,473)	(5,296,952)
Payments of supplies and other expenses	<u>(5,398,667)</u>	<u>(6,439,417)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>1,471,626</u>	<u>(349,225)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County tax revenue received	799,475	792,815
Noncapital grants and contributions received	<u>67,868</u>	<u>60,138</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>867,343</u>	<u>852,953</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property and equipment	(570,789)	(920,998)
Payments on note payable	(223,265)	(527,735)
Proceeds from note payable	-	526,000
Payment of interest on debt	<u>(1,748)</u>	<u>-</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(795,802)</u>	<u>(922,733)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in assets limited as to use	(1,068,752)	(765)
Investment income received	<u>107,315</u>	<u>39,739</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(961,437)</u>	<u>38,974</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	581,730	(380,031)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,531,654</u>	<u>2,911,685</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,113,384</u>	<u>\$ 2,531,654</u>

(continued)

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating loss	\$ (499,366)	\$ (575,281)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities		
Depreciation	1,360,926	1,318,426
Restricted scholarships awarded	(641)	(580)
Provision for bad debts	425,426	408,812
Changes in assets and liabilities		
Receivables	(552,579)	(392,434)
Supplies	42,798	(43,282)
Prepaid expenses	1,447	(91,393)
Accounts payable	(99,657)	(718,000)
Estimated third-party payor settlements	779,866	(289,000)
Accrued expenses	<u>13,406</u>	<u>33,507</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 1,471,626</u>	<u>\$ (349,225)</u>

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Jackson County Public Hospital, d/b/a Jackson County Regional Health Center (Health Center), 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 Health Center 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, the Health Center has included all funds, organizations, agencies, boards, commissions, and authorities. The Health Center has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Health Center are such that exclusion would cause the Health Center's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Health Center 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 Health Center. The Health Center has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The balance sheet displays the Health Center'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 Health Center's policy to use restricted resources first.

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

Measurement Focus and Basis of Accounting

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

The Health Center 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). The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

In reporting its financial activity, the Health Center 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 accounting principles generally accepted in the United States of America 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.

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

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.

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 Health Center 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 Health Center 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

Health Center 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, 2006.

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 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.

Operating Revenues and Expenses

The Health Center'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 Health Center'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 Health Center has agreements with third-party payors that provide for payments to the Health Center at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. 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 Health Center provides care to patients and residents who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients and residents is automatically recorded in the accounting system at the established rates, but the Health Center 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 Health Center expenses advertising costs as incurred.

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

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.

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 Health Center 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, 2006 and 2005, were \$105,572 and \$64,825, respectively.

NOTE 3 – NET PATIENT AND RESIDENT SERVICE REVENUE

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

Medicare

The Health Center is licensed as a Critical Access Hospital (CAH). The Health Center is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the Health Center and are subject to audits thereof by the Medicare fiscal intermediary. The Health Center's Medicare cost reports have been settled by the Medicare fiscal intermediary through the year ended June 30, 2004. The Health Center'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 Health Center.

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.

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

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.

Other Payors

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

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

A summary of net patient and resident service revenue, contractual adjustments, and policy discounts for the years ended June 30, 2006 and 2005, is as follows:

	<u>2006</u>	<u>2005</u>
Total patient and resident service revenue	\$ 17,111,688	\$ 17,321,480
Contractual adjustments		
Medicare	(3,177,340)	(3,600,888)
Medicaid	(707,573)	(1,029,365)
Other	<u>(829,607)</u>	<u>(652,395)</u>
Total contractual adjustments	<u>(4,714,520)</u>	<u>(5,282,648)</u>
Policy discounts	<u>(102,812)</u>	<u>(81,855)</u>
Net patient and resident service revenue	12,294,356	11,956,977
Provision for bad debts	<u>(425,426)</u>	<u>(408,812)</u>
Net patient and resident service revenue (net of provision for bad debts)	<u>\$ 11,868,930</u>	<u>\$ 11,548,165</u>

NOTE 4 – CASH AND DEPOSITS

The Health Center's deposits in banks at June 30, 2006 and 2005, were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

Interest rate risk is the exposure to fair value losses resulting from rising interest rates. The Health Center'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 Health Center.

At June 30, 2006 and 2005, the Health Center's carrying amounts of investments are as follows:

	<u>2006</u>	<u>Maturity</u>	<u>2005</u>	<u>Maturity</u>
Money market	\$ 1,068,495		\$ -	
Certificates of deposit	30,000	September-06	30,000	September-05
Savings accounts	13,240		12,983	
Investment in Health Enterprises	<u>5,000</u>		<u>5,000</u>	
	<u>\$ 1,116,735</u>		<u>\$ 47,983</u>	

NOTE 5 – LAND, BUILDINGS, AND EQUIPMENT

A summary of land, buildings, and equipment at June 30, 2006 and 2005, follows:

	June 30, 2005				June 30, 2006	
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance</u>	
Cost						
Land	\$ 83,914	\$ 50,187	\$ -	\$ -	\$ 134,101	
Land improvements	123,625	-	-	-	123,625	
Buildings	15,132,490	51,456	12,462	6,644	15,178,128	
Equipment	5,326,837	390,383	147,646	-	5,569,574	
Construction in progress	<u>6,644</u>	<u>78,763</u>	<u>-</u>	<u>(6,644)</u>	<u>78,763</u>	
	<u>20,673,510</u>	<u>570,789</u>	<u>160,108</u>	<u>-</u>	<u>21,084,191</u>	
Accumulated depreciation						
Land improvements	82,322	9,968	-	-	92,290	
Buildings	4,557,655	784,600	12,462	-	5,329,793	
Equipment	<u>3,150,690</u>	<u>566,357</u>	<u>146,889</u>	<u>-</u>	<u>3,570,158</u>	
	<u>7,790,667</u>	<u>1,360,925</u>	<u>159,351</u>	<u>-</u>	<u>8,992,241</u>	
Total land, buildings, and equipment, net	<u>\$ 12,882,843</u>	<u>\$ (790,136)</u>	<u>\$ 757</u>	<u>\$ -</u>	<u>\$ 12,091,950</u>	

(continued on next page)

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a/ JACKSON COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

	June 30, 2004				June 30, 2005
	Balance	Additions	Deductions	Transfers	Balance
Cost					
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	3,075,396	384,753	-	(3,453,505)	6,644
	<u>21,862,992</u>	<u>921,402</u>	<u>2,110,884</u>	<u>-</u>	<u>20,673,510</u>
Accumulated depreciation					
Land improvements	98,690	9,987	26,355	-	82,322
Buildings	5,567,513	784,332	1,794,190	-	4,557,655
Equipment	2,912,200	524,107	285,617	-	3,150,690
	<u>8,578,403</u>	<u>1,318,426</u>	<u>2,106,162</u>	<u>-</u>	<u>7,790,667</u>
Total land, buildings, and equipment, net	<u>\$ 13,284,589</u>	<u>\$ (397,024)</u>	<u>\$ 4,722</u>	<u>\$ -</u>	<u>\$ 12,882,843</u>

Construction in progress at June 30, 2006, consisted of a Dictaphone system, which was placed in service July 2006, and a master facility plan. The cost of the Dictaphone system was \$53,662.

NOTE 6 – NOTE PAYABLE

The note payable as of June 30, 2005, consisted of amounts drawn on a 2.65% fixed rate loan with a bank. The loan is secured by the net revenues of the Health Center.

NOTE 7 – PENSION AND RETIREMENT BENEFITS

The Health Center 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 Health Center is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005, and 2004. Contribution requirements are established by state statute. The Health Center's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004, were \$306,612, \$302,123, and \$296,905, respectively, equal to the required contributions for each year.

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a/ JACKSON COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Malpractice Insurance

The Health Center has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an 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.

Healthcare Legislation and Regulation

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, reimbursement for patient and resident services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violation of these laws and regulations could result in expulsion from government healthcare programs together with imposition of significant fines and penalties, as well as significant repayments for patient service previously billed.

Management believes that the Health System is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulation is subject to government review and interpretations, as well as regulator actions unknown or unasserted at this time.

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 – CONCENTRATIONS OF CREDIT RISK

The Health Center grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors, patients, and residents at June 30, 2006 and 2005, was as follows:

	<u>2006</u>	<u>2005</u>
Medicare	36.7%	39.9%
Medicaid	12.7	14.2
Blue Cross	13.5	10.0
Other third-party payors, patients, and residents	<u>37.1</u>	<u>35.9</u>
	<u>100.0%</u>	<u>100.0%</u>



CPAs & BUSINESS ADVISORS

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

The Board of Trustees
Jackson County Public Hospital
d/b/a Jackson County Regional Health Center
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, except for the schedule of statistical information on page 32 marked "unaudited", 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 2, 2006

PEOPLE. PRINCIPLES. POSSIBILITIES.

www.eidebailly.com

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a/ JACKSON COUNTY REGIONAL HEALTH CENTER
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS – BUDGET AND ACTUAL (CASH BASIS)
YEAR ENDED JUNE 30, 2006

	Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Budget	Variance Favorable (Unfavorable)
Estimated amount to be raised by taxation	\$ 799,475	\$ -	\$ 799,475	\$ 795,000	\$ 4,475
Estimated other revenues/ receipts	<u>12,196,703</u>	<u>653,470</u>	<u>12,850,173</u>	<u>12,397,172</u>	<u>453,001</u>
	12,996,178	653,470	13,649,648	13,192,172	457,476
Expenses/disbursements	<u>12,524,032</u>	<u>(524,866)</u>	<u>11,999,166</u>	<u>13,581,572</u>	<u>1,582,406</u>
Net	472,146	1,178,336	1,650,482	(389,400)	<u>\$ 2,039,882</u>
Balance beginning of year	<u>16,731,273</u>	<u>(14,151,636)</u>	<u>2,579,637</u>	<u>2,856,400</u>	
Balance end of year	<u>\$17,203,419</u>	<u>\$(12,973,300)</u>	<u>\$ 4,230,119</u>	<u>\$ 2,467,000</u>	

**JACKSON COUNTY PUBLIC HOSPITAL
d/b/a/ JACKSON COUNTY REGIONAL HEALTH CENTER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
JUNE 30, 2006**

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 resulting from the Health Center preparing a budget on the cash basis of accounting.

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Health Center on the cash basis following required public notice and hearing in accordance with Chapters 24 and 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. The budget was not amended during the year ended June 30, 2006.

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a/ JACKSON COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF NET PATIENT AND RESIDENT SERVICE REVENUE
YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE TOTALS FOR 2005

	2006			2005
	Inpatient	Outpatient	Total	Total
PATIENT AND RESIDENT SERVICE REVENUE				
Routine services	\$ 980,918	\$ 212,080	\$ 1,192,998	\$ 1,311,275
Delivery and labor rooms	48,632	12,285	60,917	64,920
Intensive care	64,116	-	64,116	50,344
Intermediate care	1,034,592	-	1,034,592	921,731
Nursery	118,209	24,959	143,168	147,162
Skilled nursing facility	55,218	-	55,218	75,534
Operating and recovery rooms	303,676	1,321,956	1,625,632	1,500,877
Emergency services	31,091	1,902,967	1,934,058	1,877,594
Ambulance	46,813	574,123	620,936	638,701
Medical supplies	163,158	408,724	571,882	524,174
Dialysis	-	1,009,544	1,009,544	884,040
Respiratory therapy	141,079	218,277	359,356	435,978
Laboratory and blood bank	299,266	1,199,094	1,498,360	1,497,778
Radiology	206,874	3,029,674	3,236,548	3,136,092
Nuclear medicine	2,271	60,738	63,009	53,430
Pharmacy	983,230	633,663	1,616,893	2,447,400
Anesthesiology	144,868	452,841	597,709	274,434
Physical therapy	50,556	536,901	587,457	639,342
Cardiac rehab	1,815	104,750	106,565	97,747
Occupational and speech therapy	51,813	92,579	144,392	155,797
Community health Clinic	-	647,305	647,305	622,833
	-	46,605	46,605	29,122
	<u>\$ 4,728,195</u>	<u>\$ 12,489,065</u>	17,217,260	17,386,305
Charity care			<u>(105,572)</u>	<u>(64,825)</u>
Total patient and resident service revenue			<u>17,111,688</u>	<u>17,321,480</u>
CONTRACTUAL ADJUSTMENTS				
Medicare			(3,177,340)	(3,600,888)
Medicaid			(707,573)	(1,029,365)
Other			<u>(829,607)</u>	<u>(652,395)</u>
Total contractual adjustments			<u>(4,714,520)</u>	<u>(5,282,648)</u>
POLICY DISCOUNTS			<u>(102,812)</u>	<u>(81,855)</u>
NET PATIENT AND RESIDENT SERVICE REVENUE			12,294,356	11,956,977
PROVISION FOR BAD DEBTS			<u>(425,426)</u>	<u>(408,812)</u>
NET PATIENT AND RESIDENT SERVICE REVENUE (NET OF PROVISION FOR BAD DEBTS)			<u>\$ 11,868,930</u>	<u>\$ 11,548,165</u>

**JACKSON COUNTY PUBLIC HOSPITAL
d/b/a/ JACKSON COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF OTHER OPERATING REVENUES
YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
OTHER OPERATING REVENUES		
Purchase discounts	\$ 38,238	\$ 18,607
Meals on wheels	30,980	29,530
Diabetic education	28,151	20,092
Home delivered meals	17,533	13,791
Foundation reimbursement	12,435	-
Medical records transcript fee	3,908	4,603
Rent	2,826	2,051
Cafeteria	2,684	1,685
Ambulance subsidies	2,262	2,810
Dietary consulting	1,518	1,750
Education programs	809	3,694
Other	<u>12,644</u>	<u>12,988</u>
 TOTAL OTHER OPERATING REVENUES	 <u>\$ 153,988</u>	 <u>\$ 111,601</u>

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a/ JACKSON COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
NURSING ADMINISTRATION		
Salaries and wages	\$ 118,537	\$ 109,116
Supplies	3,389	5,988
Service contracts	1,841	944
Travel and education	4,718	2,532
Dues and subscriptions	332	513
Other	1,775	3,036
	<u>130,592</u>	<u>122,129</u>
ROUTINE SERVICES		
Salaries and wages	736,966	765,783
Supplies	27,638	28,159
Repairs and maintenance	793	-
Service contracts	44,868	39,987
Travel and education	7,093	1,038
Dues and subscriptions	149	-
Other	11,828	3,165
	<u>829,335</u>	<u>838,132</u>
INTENSIVE CARE		
Salaries and wages	13,039	10,349
Supplies	2,700	711
Service contracts	7,543	7,788
Travel and education	54	47
	<u>23,336</u>	<u>18,895</u>
DELIVERY AND LABOR ROOMS		
Salaries and wages	<u>36,406</u>	<u>35,901</u>
NURSERY		
Salaries and wages	20,023	19,746
Supplies	15	29
	<u>20,038</u>	<u>19,775</u>
SKILLED NURSING FACILITY AND INTERMEDIATE CARE		
Salaries and wages	517,530	504,034
Supplies	21,168	22,440
Repairs and maintenance	206	299
Service contracts	12,862	21,740
Travel and education	2,407	2,593
Dues and subscriptions	1,177	1,473
Other	9,714	6,605
	<u>565,064</u>	<u>559,184</u>

(continued)

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
SPECIALTY CLINICS		
Salaries and wages	\$ 4,641	\$ -
OPERATING AND RECOVERY ROOMS		
Salaries and wages	194,732	191,333
Supplies	44,510	58,153
Repairs and maintenance	4,293	10,769
Service contracts	14,001	10,050
Travel and education	104	16
Dues and subscriptions	-	48
Other	5,773	8,093
	<u>263,413</u>	<u>278,462</u>
EMERGENCY SERVICES		
Salaries and wages	393,682	380,245
Supplies	20,675	20,580
Repairs and maintenance	12	-
Service contracts	417,656	406,975
Travel and education	737	2,646
Dues and subscriptions	255	665
Other	4,497	1,155
	<u>837,514</u>	<u>812,266</u>
AMBULANCE		
Salaries and wages	341,224	324,837
Supplies	20,358	17,480
Repairs and maintenance	10,206	8,630
Service contracts	3,135	4,472
Travel and education	175	687
Dues and subscriptions	50	15
Other	7,324	10,956
	<u>382,472</u>	<u>367,077</u>
MEDICAL SUPPLIES		
Salaries and wages	26,289	24,619
Supplies	219,383	231,465
Repairs and maintenance	10,657	17,492
Service contracts	27,315	24,188
Travel and education	123	112
Other	3,311	3,193
	<u>287,078</u>	<u>301,069</u>

(continued)

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
DIALYSIS		
Salaries and wages	\$ 159,681	\$ 149,521
Supplies	52,005	160,759
Repairs and maintenance	15,662	12,888
Service contracts	13,232	13,000
Travel and education	3,704	1,882
Dues and subscriptions	125	125
Other	4,658	380
	<u>249,067</u>	<u>338,555</u>
RESPIRATORY THERAPY		
Salaries and wages	28,952	38,142
Supplies	634	1,998
Service contracts	5,145	4,968
	<u>34,731</u>	<u>45,108</u>
LABORATORY AND BLOOD BANK		
Salaries and wages	274,289	271,390
Supplies	255,418	256,132
Repairs and maintenance	736	531
Service contracts	149,537	126,888
Travel and education	1,142	2,219
Dues and subscriptions	150	150
Other	8,222	10,830
	<u>689,494</u>	<u>668,140</u>
RADIOLOGY		
Salaries and wages	205,142	202,900
Supplies	54,204	57,495
Nuclear medicine	273,158	273,558
Repairs and maintenance	7,345	4,043
Service contracts	92,662	68,884
Travel and education	90	53
Dues and subscriptions	3,305	4,637
Other	5,924	4,655
	<u>641,830</u>	<u>616,225</u>

(continued)

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
PHARMACY		
Salaries and wages	\$ 122,817	\$ 149,707
Supplies	549,155	503,031
Repairs and maintenance	782	7,787
Service contracts	23,329	6,870
Travel and education	90	215
Dues and subscriptions	1,636	541
Other	767	3,095
	<u>698,576</u>	<u>671,246</u>
ANESTHESIOLOGY		
Salaries and wages	243,401	244,373
Professional fees	-	15,226
Supplies	1,582	1,667
Service contracts	2,789	11,231
Travel and education	4,052	986
Dues and subscriptions	1,480	495
Other	353	375
	<u>253,657</u>	<u>274,353</u>
PHYSICAL THERAPY		
Salaries and wages	206,798	213,976
Professional fees	645	-
Supplies	4,499	4,148
Repairs and maintenance	868	406
Service contracts	1,471	1,305
Travel and education	4,565	4,533
Dues and subscriptions	484	555
Other	303	1,618
	<u>219,633</u>	<u>226,541</u>
CARDIAC REHAB		
Salaries and wages	49,039	44,461
Supplies	1,206	371
Repairs and maintenance	166	100
Service contracts	4,134	4,298
Travel and education	237	300
Dues and subscriptions	950	380
Other	(1,393)	(714)
	<u>54,339</u>	<u>49,196</u>

(continued)

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
OCCUPATIONAL THERAPY		
Professional fees	\$ 49,216	\$ 50,256
Other	501	-
	<u>49,717</u>	<u>50,256</u>
SPEECH THERAPY		
Professional fees	23,249	20,629
Other	105	2
	<u>23,354</u>	<u>20,631</u>
COMMUNITY HEALTH		
Salaries and wages	397,904	374,472
Supplies	27,897	22,573
Repairs and maintenance	429	416
Service contracts	176	104
Travel and education	28,120	26,212
Dues and subscriptions	513	431
Other	7,164	15,502
	<u>462,203</u>	<u>439,710</u>
SOCIAL SERVICES		
Salaries and wages	45,195	44,308
Supplies	190	117
Travel and education	1,144	909
Dues and subscriptions	65	-
Other	-	104
	<u>46,594</u>	<u>45,438</u>
MEDICAL RECORDS		
Salaries and wages	164,559	140,265
Professional fees	528	528
Supplies	2,866	2,894
Repairs and maintenance	385	250
Service contracts	40,179	32,492
Travel and education	2,777	119
Dues and subscriptions	3,864	3,369
Other	4,103	1,898
	<u>219,261</u>	<u>181,815</u>

(continued)

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
DIETARY		
Salaries and wages	\$ 231,443	\$ 232,641
Supplies	126,732	116,139
Repairs and maintenance	2,167	2,870
Service contracts	1,103	959
Travel and education	865	2,019
Other	<u>10</u>	<u>712</u>
	<u>362,320</u>	<u>355,340</u>
OPERATION OF PLANT		
Salaries and wages	180,066	176,915
Supplies	49,501	43,574
Repairs and maintenance	36,767	36,311
Service contracts	28,670	17,000
Travel and education	-	232
Utilities	532,348	479,387
Other	<u>7,392</u>	<u>13,871</u>
	<u>834,744</u>	<u>767,290</u>
HOUSEKEEPING		
Salaries and wages	148,296	142,551
Supplies	22,744	19,025
Repairs and maintenance	2,109	1,462
Other	<u>3,150</u>	<u>4,078</u>
	<u>176,299</u>	<u>167,116</u>
LAUNDRY		
Salaries and wages	62,119	62,942
Supplies	17,418	17,320
Repairs and maintenance	4,657	2,071
Other	<u>-</u>	<u>24</u>
	<u>84,194</u>	<u>82,357</u>
PURCHASING		
Salaries and wages	64,779	63,295
Supplies	2,544	1,968
Service contracts	10,000	10,500
Travel and education	1,098	1,597
Utilities	95	95
Other	<u>1,360</u>	<u>-</u>
	<u>79,876</u>	<u>77,455</u>

(continued)

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ADMINISTRATIVE SERVICES		
Salaries and wages	\$ 433,330	\$ 412,637
Professional fees	106,019	121,516
Supplies	58,270	59,271
Repairs and maintenance	4,006	1,028
Service contracts	331,552	294,490
Travel and education	6,613	6,117
Telephone	31,576	30,944
Recruitment	11,125	8,575
Insurance	100,264	90,850
Dues and subscriptions	25,550	25,470
Other	39,874	30,133
	<u>1,148,179</u>	<u>1,081,031</u>
UNASSIGNED EXPENSES		
Depreciation	1,360,926	1,318,426
Employee benefits		
Payroll taxes	694,658	686,685
Insurance	755,141	717,824
Other	3,602	1,419
	<u>2,814,327</u>	<u>2,724,354</u>
TOTAL OPERATING EXPENSES	<u>\$ 12,522,284</u>	<u>\$ 12,235,047</u>

**JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
PATIENT AND RESIDENT RECEIVABLES ALLOWANCE FOR DOUBTFUL ACCOUNTS
AND COLLECTION STATISTICS
JUNE 30, 2006 AND 2005**

ANALYSIS OF AGING

Days Since Discharge	2006		2005	
	Amount	Percent to Total	Amount	Percent to Total
30 days or less	\$ 1,615,695	68.42%	\$ 1,656,104	72.99%
31 to 120 days	535,591	22.68%	438,470	19.33%
121 to 180 days	70,331	2.98%	52,882	2.33%
181 days and over	<u>139,848</u>	<u>5.92%</u>	<u>121,460</u>	<u>5.35%</u>
	2,361,465	<u>100.00%</u>	2,268,916	<u>100.00%</u>
Less: Allowance for doubtful accounts	171,000		152,000	
Allowance for contractual adjustments	<u>549,000</u>		<u>587,000</u>	
Net	<u>\$ 1,641,465</u>		<u>\$ 1,529,916</u>	

**ALLOWANCE FOR DOUBTFUL ACCOUNTS
YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
BALANCE, BEGINNING OF YEAR	\$ 152,000	\$ 163,000
Add: Provision for bad debts	425,426	408,812
Less: Accounts written off, net of recoveries	<u>(406,426)</u>	<u>(419,812)</u>
BALANCE, END OF YEAR	<u>\$ 171,000</u>	<u>\$ 152,000</u>

COLLECTION STATISTICS

Net accounts receivable – patients and residents	\$ 1,641,465	\$ 1,529,916
Number of days charges outstanding (1)	51	47
Uncollectible accounts (2)	\$ 574,619	\$ 526,654
Percentage of uncollectible accounts to total charges	3.3%	3.0%

- (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.

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
SUPPLIES/PREPAID EXPENSE
JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
SUPPLIES		
ACCU	\$ 2,717	\$ 2,169
Ambulance	2,671	3,017
Anesthesia	927	910
Business office	139	172
Cardiopulmonary	128	101
Central office	2,981	2,992
Dietary	355	734
Dietary food	7,168	8,642
Emergency room	4,951	5,252
Home health	224	322
Housekeeping	2,315	2,915
Lab	498	432
Lab – NI supplies	34,819	34,166
Laundry	456	-
Maintenance	38,721	31,163
Medical records	195	198
OB	415	1,358
OR	2,748	2,699
OR – NI supplies	34,580	38,341
Outpatient	198	196
Pharmacy	1,316	956
Pharmacy – Amerisource	110,150	152,679
Physical therapy	755	1,326
Purchasing	37,222	37,797
Radiology	4,820	5,483
SNF	439	831
Dialysis	1,383	1,238
	<u>1,383</u>	<u>1,238</u>
Total	<u>\$ 293,291</u>	<u>\$ 336,089</u>
PREPAID EXPENSE		
Insurance	\$ 75,728	\$ 95,167
Service contracts	<u>79,686</u>	<u>61,694</u>
Total	<u>\$ 155,414</u>	<u>\$ 156,861</u>

JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
STATISTICAL INFORMATION (UNAUDITED)
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
PATIENT DAYS		
Hospital		
Acute	1,359	1,469
Swing-bed	629	913
Newborn	176	184
Nursing home	6,232	6,149
NUMBER OF BEDS		
Hospital	25	25
Nursing home	18	18
PERCENTAGE OF OCCUPANCY		
Hospital (excluding newborn)	22%	26%
DISCHARGES		
Hospital		
Acute	463	520
Swing-bed	86	123
AVERAGE LENGTH OF STAY		
Hospital		
Acute	2.94	2.83
Swing-bed	7.31	7.42



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**

The Board of Trustees
Jackson County Public Hospital
d/b/a Jackson County Regional Health Center
Maquoketa, Iowa

We have audited the accompanying statements of net assets of **Jackson County Public Hospital, d/b/a Jackson County Regional Health Center**, as of June 30, 2006 and 2005, 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 2, 2006. 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, d/b/a Jackson County Regional Health Center**, 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, d/b/a Jackson County Regional Health Center**, 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-06, 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 over financial reporting 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of **Jackson County Public Hospital, d/b/a Jackson County Regional Health Center**, 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 Health Center's operations for the year ended June 30, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Health Center 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, d/b/a Jackson County Regional Health Center**, and other parties to whom **Jackson County Public Hospital, d/b/a Jackson County Regional Health Center**, 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, d/b/a Jackson County Regional Health Center**, 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 Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
August 2, 2006

**JACKSON COUNTY PUBLIC HOSPITAL
d/b/a JACKSON COUNTY REGIONAL HEALTH CENTER
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006**

Part I: Findings Related to the Financial Statements:

REPORTABLE CONDITION:

I-A-06 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 Health Center 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-06 Certified Budget – Disbursements during the year ended June 30, 2006, did not exceed the amount budgeted.

II-B-06 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-C-06 Travel Expense – No expenditures of Health Center money for travel expenses of spouses of Health Center officials and/or employees were noted.

II-D-06 Business Transactions – No transactions were noted between Health Center and Health Center officials or employees other than those exempted by law: i.e., bankers on the Board of Trustees.

II-E-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

II-F-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and Chapter 12C of the Code of Iowa and the Health Center’s investment policy were noted.

II-G-06 Publication of Bills Allowed and Salaries – Chapter 347.13(14) of the Code of Iowa states “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 newspapers the schedule of salaries paid by job classification and category...” The Hospital did publish a schedule of bills allowed and a schedule of salaries paid as required by the Code of Iowa.