

**Jackson County Regional Health Center
Maquoketa, Iowa**

FINANCIAL REPORT

June 30, 2007

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**Jackson County Regional Health Center
OFFICIALS
June 30, 2007**

BOARD OF TRUSTEES

Expiration of term

Officers

Kevin Burns, Chairperson
Gloria Jorgensen, Vice Chairperson
Jodi Helmle, Secretary
Dwain Trenkamp, Treasurer

December 31, 2012
December 31, 2010
December 31, 2012
December 31, 2012

Members

Eilene Busch
Bob Specht
Bob Thomas

December 31, 2008
December 31, 2008
December 31, 2010

CHIEF EXECUTIVE OFFICER

Curt Coleman

CHIEF FINANCIAL OFFICER

Donna Roeder

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Jackson County Regional Health Center
Maquoketa, Iowa

We have audited the accompanying balance sheet of Jackson County Regional Health Center as of June 30, 2007, and the related statements of revenues, expenses, and changes in fund equity, and cash flows for the year 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 audit. The financial statements of Jackson County Regional Health Center as of June 30, 2006, were audited by other auditors whose report dated August 2, 2006, expressed an unqualified opinion on those statements.

We conducted our audit 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 that our audit provides 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 Regional Health Center as of June 30, 2007, and the results of its operations and its cash flows for the year 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 a report dated August 9, 2007 on our consideration of Jackson County Regional 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 5-9 is not a required part of the basic financial statements but is 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 required supplementary information. However, we did not audit the information and express no opinion on it.



DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 9, 2007

**Jackson County Regional Health Center
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Jackson County Regional Health Center, we offer readers of the financial statements this narrative overview and analysis of the Health Center's financial performance during the fiscal years ended June 30, 2007 and 2006. Please read it in conjunction with the Health Center's financial statements, which follow this section.

Overview of the Financial Statements

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

Required Financial Statements

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

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

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

Financial Highlights

- Total assets increased by \$1,396,907 or 7% to \$20,637,222
- Total assets whose use is limited increased by \$1,927,740 to \$3,044,475
- Total property and equipment decreased by \$840,685 to \$11,251,265
- Total fund equity increased by \$1,201,142 to \$18,404,561
- Net patient service revenue increased by \$1,190,189, or 10%, due to a significant increase in outpatient volume
- Expenses increased by \$567,926, or 5%, primarily due to the increase in volume in the 2007 fiscal year

Financial Analysis of the Health Center

The balance sheet and the statement of revenues, expenses, and changes in fund equity report the fund equity of the Health Center and the changes in them. The Health Center's fund equity, the difference between assets and liabilities, are a way to measure financial health or financial position. Over time, sustained increases or decreases in the Health Center's fund equity are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic conditions, population growth and new or changed government legislation should also be considered.

A summary of the Health Center's balance sheets is presented in Table 1.

**Table 1
Condensed Balance Sheets**

	June 30		
	2007	2006	2005
Current assets	\$ 5,541,482	\$ 5,231,630	\$ 4,948,993
Assets whose use is limited	3,044,475	1,116,735	47,983
Property and equipment	11,251,265	12,091,950	12,882,843
Other asset	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Total assets	<u>\$20,637,222</u>	<u>\$19,240,315</u>	<u>\$18,679,819</u>
Current liabilities	\$ 1,432,661	\$ 1,236,896	\$ 1,148,546
Other noncurrent liabilities	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Total liabilities	<u>\$ 2,232,661</u>	<u>\$ 2,036,896</u>	<u>\$ 1,948,546</u>
Invested in capital assets, net of related debt	\$11,251,265	\$12,091,950	\$12,659,578
Unrestricted	<u>7,153,296</u>	<u>5,111,469</u>	<u>4,071,695</u>
Total fund equity	<u>\$18,404,561</u>	<u>\$17,203,419</u>	<u>\$16,731,273</u>

As depicted in Table 1, total assets increased in fiscal year 2007 to \$20,637,222. The change in total assets results primarily from an increase in assets whose use is limited as a result of significant change in operating income.

A summary of the Health Center's historical statements of revenues, expenses, and changes in fund equity is presented in Table 2.

**Table 2
Condensed Statements of Revenues, Expenses, and Changes in Fund Equity**

	Year ended June 30		
	2007	2006	2005
Net patient service revenue	\$13,087,270	\$11,897,081	\$11,548,165
Other revenue	<u>159,189</u>	<u>179,061</u>	<u>160,271</u>
Total revenue	<u>13,246,459</u>	<u>12,076,142</u>	<u>11,708,436</u>
Salaries	5,836,628	5,420,879	5,330,459
Supplies and expenses	5,860,988	5,740,479	5,586,162
Provision for depreciation	<u>1,392,594</u>	<u>1,360,926</u>	<u>1,318,426</u>
Total expenses	<u>13,090,210</u>	<u>12,522,284</u>	<u>12,235,047</u>
Operating income (loss)	<u>156,249</u>	<u>(446,142)</u>	<u>(526,611)</u>
County taxes	799,966	799,475	792,815
Investment income	229,901	104,169	34,841
Unrestricted contributions	<u>15,026</u>	<u>14,644</u>	<u>11,468</u>
Total nonoperating gains (losses)	<u>1,044,893</u>	<u>918,288</u>	<u>839,124</u>
Change in fund equity	1,201,142	472,146	312,513
Total fund equity, beginning	<u>17,203,419</u>	<u>16,731,273</u>	<u>16,418,760</u>
Total fund equity, ending	<u>\$18,404,561</u>	<u>\$17,203,419</u>	<u>\$16,731,273</u>

Operating and Financial Performance

The following summarizes the Health Center's statements of revenues, expenses and changes in fund equity between June 30, 2007 and 2006.

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

Volume: Medical, surgical and obstetrical discharges for fiscal year 2007 were 471 compared to 463 in fiscal year 2006. Average length of stay increased slightly as patient days increased to 1,410 from 1,359 in 2006. Volume on the outpatient side indicated positive growth in 2007. In 2007, gross outpatient charges increased to \$15,054,866 compared to \$12,489,065 in 2006. Laboratory, radiology, pharmacy and dialysis ancillary services reflected the most significant growth in 2007.

Price Increase: As is customary annually, the Health Center did review its charge structure and incorporated certain price increases in 2007. Overall, gross patient service revenue increased to \$19,756,560 from \$17,245,411 in 2006.

Payor Mix: The Health Center is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. Contractual adjustments and bad debts were \$6,595,647 in 2007 compared to \$5,242,758 in 2006, representing 33% of gross patient charges.

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

Table 3
Payor Mix by Percentage

	<u>Year ended June 30</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Medicare	48%	50%	52%
Medicaid	15	15	16
Commercial insurance	29	28	25
Patients	<u>8</u>	<u>7</u>	<u>7</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue decreased to \$159,189 in 2007 compared to \$179,061 in 2006, primarily due to decreased miscellaneous income.

Expenses

Approximately 45% of Health Center's expenses are for salaries. Total salaries increased by 8% to \$5,836,628 in 2007 from \$5,420,879 in 2006. The Health Center department experiencing the most significant increase in 2007 was general surgery.

Approximately 45% of Health Center's expenses are for supplies and expenses. Total supplies and expenses increased by 3% to \$5,860,988 in 2007 from \$5,680,479 in 2006.

Approximately 10% of Health Center's expenses relate to provision for depreciation. The provision for depreciation increased to \$1,392,594 in 2007 from \$1,360,926 in 2006.

Nonoperating Gains (Losses)

Nonoperating gains (losses) increased to \$1,044,893 from \$918,288 in 2006, primarily due to an increase in investment income.

Property and Equipment

At the end of 2007, the Health Center had \$11,251,265 invested in property and equipment, net of accumulated depreciation. The Notes to the Financial Statements provide more detail of changes in property and equipment. In 2007, \$568,173 was spent to acquire new equipment.

A summary of the Health Center's property and equipment is presented in Table 4.

Table 4
Property and Equipment

	June 30		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Land	\$ 134,101	\$ 134,101	\$ 83,914
Land improvements	123,625	123,625	123,625
Building and improvement	15,047,266	15,256,891	15,139,134
Major movable equipment	<u>5,796,307</u>	<u>5,569,574</u>	<u>5,326,837</u>
Subtotal	21,101,299	21,084,191	20,673,510
Less accumulated depreciation	<u>(9,850,034)</u>	<u>(8,992,241)</u>	<u>(7,790,667)</u>
Property and equipment	<u>\$11,251,265</u>	<u>\$12,091,950</u>	<u>\$12,882,843</u>

Performance Compared to County Hospital Budget

The Health Center prepares its annual County Hospital budget on the cash basis, which differs from generally accepted accounting principles, GAAP basis. More detailed information as to major differences between County Hospital cash and GAAP bases are presented in the Notes to Financial Statements. A comparison of the Health Center's fiscal year 2007 actual cash basis financial information to its annual County Hospital budget is presented in Table 5.

Table 5
Actual vs Budget

	<u>Actual cash basis</u>	<u>Annual County Hospital budget</u>	<u>Variance</u>
Amount to be raised by taxation	\$ 799,966	\$ 770,194	\$ 29,772
Other revenues/receipts	<u>13,491,386</u>	<u>15,926,523</u>	<u>(2,435,137)</u>
	14,291,352	16,696,717	(2,405,365)
Expenses/expenditures	<u>12,265,789</u>	<u>17,182,280</u>	<u>(4,916,491)</u>
Net	<u>\$ 2,025,563</u>	<u>\$ (485,563)</u>	<u>\$ 2,511,126</u>

Actual other revenues/receipts results were lower than County Hospital budget primarily due to less proceeds from issuance of debt. Expenses/expenditures were lower than County Hospital budget primarily due to less construction costs.

Economic and Other Factors and Next Year's Budget

The Health Center's board and management considered many factors when setting the fiscal year 2008 budget. Of primary importance are the market forces and environmental factors impacting healthcare such as:

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

Contacting Health Center's Management

This financial report is designed to provide users with a general overview of the Health Center's finances and to demonstrate the Health Center's accountability. If you have questions about this report or need additional information, contact Jackson County Regional Health Center at (563) 652-2474 or write care of: Chief Financial Officer, Jackson County Regional Health Center, 700 W. Grove Street, P.O. Box 910, Maquoketa, Iowa 52060-9988.

**Jackson County Regional Health Center
BALANCE SHEETS**

ASSETS	June 30	
	2007	2006
CURRENT ASSETS		
Cash	\$ 2,806,398	\$ 3,113,384
Patient receivables, less allowances for contractual adjustments and bad debts	2,122,078	1,641,465
Other receivables	18,414	28,076
Inventories	373,489	293,291
Prepaid expenses	<u>221,103</u>	<u>155,414</u>
Total current assets	<u>5,541,482</u>	<u>5,231,630</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Cash	<u>3,044,475</u>	<u>1,116,735</u>
PROPERTY AND EQUIPMENT		
Less accumulated depreciation	21,101,299	21,084,191
Total property and equipment	<u>9,850,034</u>	<u>8,992,241</u>
	<u>11,251,265</u>	<u>12,091,950</u>
OTHER ASSET		
Succeeding year property tax receivable	<u>800,000</u>	<u>800,000</u>
Totals	<u>\$20,637,222</u>	<u>\$19,240,315</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 251,752	\$ 206,308
Accrued employee compensation	583,720	541,317
Payroll taxes and amounts withheld from employees	97,189	89,271
Estimated third-party payor settlements	<u>500,000</u>	<u>400,000</u>
Total current liabilities	<u>1,432,661</u>	<u>1,236,896</u>
DEFERRED REVENUE FOR SUCCEEDING YEAR		
PROPERTY TAX RECEIVABLE	800,000	800,000
FUND EQUITY		
Invested in capital assets, net of related debt	11,251,265	12,091,950
Unrestricted	<u>7,153,296</u>	<u>5,111,469</u>
Total fund equity	<u>18,404,561</u>	<u>17,203,419</u>
Totals	<u>\$20,637,222</u>	<u>\$19,240,315</u>

See Notes to Financial Statements.

Jackson County Regional Health Center
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY

	Year ended June 30	
	2007	2006
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2007 \$620,840; 2006 \$425,426	\$13,087,270	\$11,897,081
OTHER REVENUE	<u>159,189</u>	<u>179,061</u>
Total revenue	<u>13,246,459</u>	<u>12,076,142</u>
EXPENSES		
Nursing service	3,958,725	3,794,941
Other professional service	3,597,736	3,227,805
General service	1,351,389	1,457,557
Fiscal and administrative service and unassigned expenses	2,789,766	2,681,055
Provision for depreciation	<u>1,392,594</u>	<u>1,360,926</u>
Total operating expenses	<u>13,090,210</u>	<u>12,522,284</u>
Operating income (loss)	<u>156,249</u>	<u>(446,142)</u>
NONOPERATING GAINS (LOSSES)		
County taxes	799,966	799,475
Investment income	229,901	104,169
Unrestricted contributions	<u>15,026</u>	<u>14,644</u>
Total nonoperating gains (losses)	<u>1,044,893</u>	<u>918,288</u>
Change in fund equity	1,201,142	472,146
TOTAL FUND EQUITY		
Beginning	17,203,419	16,731,273
Ending	<u>\$18,404,561</u>	<u>\$17,203,419</u>

See Notes to Financial Statements.

**Jackson County Regional Health Center
STATEMENTS OF CASH FLOWS**

	Year ended June 30	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$12,706,657	\$12,139,381
Cash paid to suppliers for goods and services	(5,943,851)	(5,398,667)
Cash paid to employees for services	(5,794,225)	(5,407,473)
Other operating revenue received	159,189	191,609
Net cash provided by operating activities	1,127,770	1,524,850
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes	799,966	799,475
Contributions received	15,026	14,644
Net cash provided by noncapital financing activities	814,992	814,119
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(551,909)	(570,789)
Principal payments on note payable	—	(225,013)
Net cash (used in) capital and related financing activities	(551,909)	(795,802)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	229,901	107,315
NET INCREASE IN CASH	1,620,754	1,650,482
CASH		
Beginning	4,230,119	2,579,637
Ending	\$ 5,850,873	\$ 4,230,119

See Notes to Financial Statements.

**Jackson County Regional Health Center
STATEMENTS OF CASH FLOWS (continued)**

	Year ended June 30	
	2007	2006
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 156,249	\$ (446,142)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	1,392,594	1,360,926
Changes in assets and liabilities		
(Increase) in patient receivables	(480,613)	(112,505)
(Increase) decrease in other receivables	9,662	(15,603)
(Increase) decrease in inventories	(80,198)	42,798
(Increase) decrease in prepaid expenses	(65,689)	1,447
Increase (decrease) in accounts payable	45,444	(99,657)
Increase in accrued employee compensation	42,403	18,034
Increase (decrease) in payroll taxes and amounts withheld from employees	7,918	(4,628)
Increase in net estimated third-party payor settlements	<u>100,000</u>	<u>780,000</u>
Net cash provided by operating activities	<u>\$ 1,127,770</u>	<u>\$ 1,524,670</u>
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Per balance sheet		
Current assets, cash	\$ 2,806,398	\$ 3,113,384
Assets whose use is limited		
Designated by board for plant replacement and expansion, cash	<u>3,044,475</u>	<u>1,116,735</u>
Total per statement of cash flows	<u>\$ 5,850,873</u>	<u>\$ 4,230,119</u>

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

For financial reporting purposes, the Health Center has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. 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. These criteria also include organizations that are fiscally dependent on the Health Center. The Health Center has no component units which meet the Governmental Accounting Standards Board criteria.

Measurement Focus and Basis of Accounting

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

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

Accounting Standards

Pursuant to Governmental Accounting Standards Board, GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Health Center has elected to apply only the provisions of relevant pronouncements of the Financial Accounting Standards Board, FASB, issued on or before November 30, 1989.

Inventories

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

Property and Equipment

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

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

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.

Fund Equity

Fund equity is presented in the following three components:

Investment in capital assets, net of related debt

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

Restricted fund equity

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

Unrestricted fund equity

Unrestricted fund equity has no externally imposed restrictions on use.

Charity Care

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

Net Patient Service Revenue

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

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues, Expenses, and Changes in Fund Equity

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

Credit Policy

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

Accounting Estimates and Assumptions

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

Reclassification

Certain reclassifications have been made in the June 30, 2006 financial statements to conform to the June 30, 2007 presentation. These reclassifications had no impact on fund equity or change in fund equity.

NOTE 2 CASH

The Health Center's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The 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.

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

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 PATIENT RECEIVABLES

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

	<u>Year ended June 30</u>	
	<u>2007</u>	<u>2006</u>
Medicare	\$1,172,598	\$ 872,198
Medicaid	392,546	300,195
Commercial insurance	965,298	720,810
Patients	<u>551,636</u>	<u>468,262</u>
Total patient receivables	3,082,078	2,361,465
Less allowances for contractual adjustments and bad debts	<u>(960,000)</u>	<u>(720,000)</u>
Net patient receivables	<u>\$2,122,078</u>	<u>\$1,641,465</u>

NOTE 4 PROPERTY AND EQUIPMENT

A summary of property and equipment and related accumulated depreciation follows:

	<u>June 30, 2007</u>		<u>June 30, 2006</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 134,101	\$ -	\$ 134,101	\$ -
Land improvements	123,625	102,194	123,625	92,290
Building and improvements	15,047,266	5,849,749	15,256,891	5,329,793
Major movable equipment	<u>5,796,307</u>	<u>3,898,091</u>	<u>5,569,574</u>	<u>3,570,158</u>
Totals	<u>\$21,101,299</u>	<u>\$9,850,034</u>	<u>\$21,084,191</u>	<u>\$8,992,241</u>

A summary of changes in property and equipment for the year ended June 30, 2007 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 134,101	\$ -	\$ -	\$ 134,101
Land improvements	123,625	-	-	123,625
Building and improvements	15,256,891	30,587	(240,212)	15,047,266
Major movable equipment	<u>5,569,574</u>	<u>537,586</u>	<u>(310,853)</u>	<u>5,796,307</u>
Totals	21,084,191	568,173	(551,065)	21,101,299
Less accumulated depreciation	<u>(8,992,241)</u>	<u>(1,392,594)</u>	<u>534,801</u>	<u>(9,850,034)</u>
Net property and equipment	<u>\$12,091,950</u>	<u>\$ (824,421)</u>	<u>\$ (16,264)</u>	<u>\$11,251,265</u>

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 PROPERTY AND EQUIPMENT (continued)

A summary of changes in property and equipment for the year ended June 30, 2006 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 83,914	\$ 50,187	\$ -	\$ 134,101
Land improvements	123,625	-	-	123,625
Building and improvements	15,139,134	130,219	(12,462)	15,256,891
Major movable equipment	<u>5,326,837</u>	<u>390,383</u>	<u>(147,646)</u>	<u>5,569,574</u>
Totals	20,673,510	570,789	(160,108)	21,084,191
Less accumulated depreciation	<u>(7,790,667)</u>	<u>(1,360,925)</u>	<u>159,351</u>	<u>(8,992,241)</u>
Net property and equipment	<u>\$12,882,843</u>	<u>\$ (790,136)</u>	<u>\$ (757)</u>	<u>\$12,091,950</u>

NOTE 5 NET PATIENT 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 and Medicaid

The Health Center is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Health Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the fiscal intermediary. The Health Center's classification of patients under the programs and the appropriateness of their admission are subject to an independent review by peer review organizations. The Health Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2005.

Other

The Health Center has payment agreements with Blue Cross and other commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

NOTE 6 DEFINED BENEFIT PENSION PLAN

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 salary and the Health Center is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Health Center's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$332,946, \$306,612 and \$302,123, respectively, equal to the required contributions for each year.

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 CHARITY CARE

The Health Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Charges foregone, based on established rates	\$ <u>73,643</u>	\$ <u>105,572</u>
Equivalent percentage of charity care patients to all patients served	<u>.4%</u>	<u>.6%</u>

NOTE 8 MALPRACTICE CLAIMS

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

Presently, no claims alleging malpractice have been asserted against the Health Center. However, incidents occurring through June 30, 2007 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 9 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the Board of Trustees annually adopts a County Hospital budget for all funds following required public notice and hearings. The annual County Hospital budget may be amended during the year utilizing similar statutorily prescribed procedures. The Health Center prepares its annual County Hospital budget on a cash basis, which differs from generally accepted accounting principles, GAAP basis. The major differences between County Hospital cash and GAAP bases are that depreciation is not recorded as an expenditure on the County Hospital cash basis and capital expenditures are recorded on the County Hospital budget basis.

The following is a comparison of reported amounts to the County Hospital budget:

	<u>GAAP basis</u>	<u>Cash basis adjustments</u>	<u>Cash basis</u>	<u>County Hospital Budget</u>
Amount to be raised by taxation	\$ 799,966	\$ -	\$ 799,966	\$ 770,194
Other revenues/receipts	<u>13,491,386</u>	<u>-</u>	<u>13,491,386</u>	<u>15,926,523</u>
	14,291,352	-	14,291,352	16,696,717
Expenses/expenditures	<u>13,090,210</u>	<u>(824,421)</u>	<u>12,265,789</u>	<u>17,182,280</u>
Net	1,201,142	824,421	2,025,563	(485,563)
Balance, beginning	<u>17,203,419</u>	<u>(12,075,686)</u>	<u>5,127,733</u>	<u>3,257,000</u>
Balance, ending	<u>\$18,404,561</u>	<u>\$(11,251,265)</u>	<u>\$ 7,153,296</u>	<u>\$ 2,771,437</u>

**Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 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 in any of the past three fiscal years.

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees
Jackson County Regional Health Center
Maquoketa, Iowa

Our report on our audit of the basic financial statements of Jackson County Regional Health Center for 2007 appears on page 4. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following 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.

The basic financial statements of Jackson County Regional Health Center for the year ended June 30, 2006, were audited by other auditors whose report dated August 2, 2006, expressed an unqualified opinion on those financial statements. Their report, as of the same date, on supplementary information stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2006, taken as a whole.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 9, 2007

**Jackson County Regional Health Center
ANALYSIS OF PATIENT RECEIVABLES**

<u>Age of accounts (by date of discharge)</u>	<u>Amounts</u>		<u>Percent to total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
0 - 30 days (includes patients in Health Center at end of year)	\$2,117,365	\$1,615,695	68.70%	68.42%
31 - 60 days	439,834	332,173	14.27	14.07
61 - 90 days	165,268	127,141	5.36	5.38
91 - 180 days	180,606	146,608	5.86	6.21
Over 180 days	<u>179,005</u>	<u>139,848</u>	<u>5.81</u>	<u>5.92</u>
Totals	<u>3,082,078</u>	<u>2,361,465</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	480,000	400,000		
Medicaid	180,000	70,000		
Other	100,000	80,000		
Bad debts	<u>200,000</u>	<u>170,000</u>		
Total allowances	<u>960,000</u>	<u>720,000</u>		
Totals	<u>\$2,122,078</u>	<u>\$1,641,465</u>		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	<u>\$ 35,856</u>	<u>\$ 32,595</u>		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	<u>59</u>	<u>50</u>		

ANALYSIS OF ALLOWANCE FOR BAD DEBTS

	<u>Amounts</u>		<u>Percent of net patient service revenue</u>	
	<u>Year ended June 30</u>		<u>Year ended June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
BALANCE , beginning	\$ 170,000	\$ 150,000		
ADD				
Provision for bad debts	620,840	425,426	4.74%	3.58%
Recoveries of accounts previously written off	<u>181,313</u>	<u>261,960</u>	1.39	2.20
	972,153	837,386		
DEDUCT				
Accounts written off	<u>772,153</u>	<u>667,386</u>	5.90	5.61
BALANCE , ending	<u>\$ 200,000</u>	<u>\$ 170,000</u>		

Jackson County Regional Health Center
PATIENT SERVICE REVENUE
Year ended June 30, 2007, with comparative totals for 2006

	2007			2006
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
DAILY PATIENT SERVICES				
Medical, surgical and obstetrical	\$ 933,542	\$ 207,866	\$ 1,141,408	\$ 1,092,945
Skilled care	289,502	-	289,502	219,387
Intermediate care	1,100,034	-	1,100,034	1,034,592
Nursery	<u>131,882</u>	<u>32,429</u>	<u>164,311</u>	<u>143,168</u>
	<u>2,454,960</u>	<u>240,295</u>	<u>2,695,255</u>	<u>2,490,092</u>
OTHER NURSING SERVICES				
Operating and recovery rooms	290,056	1,370,488	1,660,544	1,625,632
Delivery and labor rooms	59,420	6,213	65,633	60,917
Central supply	156,997	451,339	608,336	571,882
Emergency service	27,234	2,035,700	2,062,934	1,934,058
Ambulance	47,090	628,434	675,524	620,936
Community health	-	<u>710,875</u>	<u>710,875</u>	<u>647,305</u>
	<u>580,797</u>	<u>5,203,049</u>	<u>5,783,846</u>	<u>5,460,730</u>
OTHER PROFESSIONAL SERVICES				
Laboratory	366,761	1,477,846	1,844,607	1,498,360
Radiology	249,924	3,407,597	3,657,521	3,236,548
Nuclear medicine	-	58,332	58,332	63,009
Pharmacy	471,066	1,296,887	1,767,953	1,616,893
Anesthesiology	154,768	578,182	732,950	597,709
Dialysis	-	1,271,436	1,271,436	1,009,544
Respiratory therapy	134,504	237,520	372,024	359,356
Cardiac rehabilitation	-	123,967	123,967	106,565
Physical therapy	78,967	564,957	643,924	587,457
Speech therapy	17,242	53,344	70,586	44,545
Occupational therapy	64,700	60,220	124,920	99,847
Diabetic education	-	26,846	26,846	28,151
General surgery	128,005	399,710	527,715	-
Specialty clinics	-	<u>54,678</u>	<u>54,678</u>	<u>46,605</u>
	<u>1,665,937</u>	<u>9,611,522</u>	<u>11,277,459</u>	<u>9,294,589</u>
Totals	<u>\$4,701,694</u>	<u>\$15,054,866</u>	19,756,560	17,245,411
Charity care charges foregone, based on established rates			<u>(73,643)</u>	<u>(105,572)</u>
Total gross patient service revenue			19,682,917	17,139,839
Provisions for contractual adjustments and bad debts			<u>(6,595,647)</u>	<u>(5,242,758)</u>
Total net patient service revenue			<u>\$13,087,270</u>	<u>\$11,897,081</u>

**Jackson County Regional Health Center
PROVISIONS FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBTS**

	Year ended June 30	
	2007	2006
Contractual adjustments		
Medicare	\$3,781,816	\$3,177,340
Medicaid	927,520	707,573
Other adjustments	1,265,471	932,419
Provision for bad debts	620,840	425,426
 Totals	 \$6,595,647	 \$5,242,758

OTHER REVENUE

	Year ended June 30	
	2007	2006
Meals on Wheels	\$ 34,610	\$ 30,980
Home delivered meals	21,748	17,533
Purchase discounts	25,505	38,238
Miscellaneous	77,326	92,310
 Totals	 \$ 159,189	 \$ 179,061

Jackson County Regional Health Center
EXPENSES
Year ended June 30, 2007, with comparative totals for 2006

	<u>2007</u>			<u>2006</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
NURSING SERVICE				
Nursing administration	\$ 85,776	\$ 14,210	\$ 99,986	\$ 89,604
Medical, surgical and obstetrical	741,608	177,575	919,183	852,671
Intermediate care	543,888	40,322	584,210	565,064
Nursery	19,528	25	19,553	20,038
Operating and recovery rooms	203,564	54,017	257,581	263,413
Delivery and labor rooms	35,506	-	35,506	36,406
Central supply	27,164	269,314	296,478	287,078
Emergency service	415,342	453,481	868,823	836,424
Ambulance	353,065	41,354	394,419	382,472
Community health	<u>424,911</u>	<u>58,075</u>	<u>482,986</u>	<u>461,771</u>
Total nursing service	<u>2,850,352</u>	<u>1,108,373</u>	<u>3,958,725</u>	<u>3,794,941</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	283,986	453,028	737,014	689,494
Radiology	225,515	416,302	641,817	641,830
Pharmacy	125,476	545,924	671,400	698,576
Anesthesiology	245,673	16,736	262,409	253,657
Dialysis	179,962	91,507	271,469	249,067
Respiratory therapy	24,593	6,807	31,400	34,731
Cardiac rehabilitation	51,365	6,434	57,799	54,339
Physical therapy	172,133	64,289	236,422	219,633
Speech therapy	-	31,656	31,656	23,354
Occupational therapy	-	52,814	52,814	49,717
Diabetic education	45,016	2,435	47,451	41,821
General surgery	235,546	43,510	279,056	-
Specialty clinics	5,834	-	5,834	5,731
Medical records	169,606	49,594	219,200	219,261
Social services	<u>49,732</u>	<u>2,263</u>	<u>51,995</u>	<u>46,594</u>
Total other professional service	<u>1,814,437</u>	<u>1,783,299</u>	<u>3,597,736</u>	<u>3,227,805</u>
GENERAL SERVICE				
Dietary	235,469	131,786	367,255	362,320
Operation of plant	178,236	545,193	723,429	834,744
Housekeeping	147,765	28,662	176,427	176,299
Laundry	<u>64,645</u>	<u>19,633</u>	<u>84,278</u>	<u>84,194</u>
Total general service	<u>626,115</u>	<u>725,274</u>	<u>1,351,389</u>	<u>1,457,557</u>
FISCAL AND ADMINISTRATIVE SERVICE				
Administrative	65,941	389,040	454,981	458,250
Accounting	116,176	3,473	119,649	114,221
Business office	190,840	85,775	276,615	278,476
Human resources	85,134	31,488	116,622	92,354
Purchasing	71,313	6,875	78,188	79,876
Employee health	16,320	1,113	17,433	15,831
Data processing	-	107,070	107,070	88,382

Jackson County Regional Health Center
EXPENSES (continued)
Year ended June 30, 2007, with comparative totals for 2006

	<u>2007</u>			<u>2006</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
UNASSIGNED EXPENSES				
FICA	\$ —	\$ 419,460	\$ 419,460	\$ 388,046
IPERS	—	332,946	332,946	306,612
Group health, life and other benefits	—	615,578	615,578	632,256
Workers compensation Insurance	—	143,057	143,057	126,487
Insurance	<u>—</u>	<u>108,167</u>	<u>108,167</u>	<u>100,264</u>
Total fiscal and administrative service and unassigned expenses	<u>545,724</u>	<u>2,244,042</u>	<u>2,789,766</u>	<u>2,681,055</u>
PROVISION FOR DEPRECIATION	<u>—</u>	<u>1,392,594</u>	<u>1,392,594</u>	<u>1,360,926</u>
Total expenses	<u>\$5,836,628</u>	<u>\$7,253,582</u>	<u>\$13,090,210</u>	<u>\$12,522,284</u>

**Jackson County Regional Health Center
COMPARATIVE STATISTICS**

	Year ended June 30	
	<u>2007</u>	<u>2006</u>
PATIENT DAYS		
Medical, surgical and obstetrical	1,410	1,359
Swing bed		
Skilled care	842	629
Intermediate care	6,285	6,232
Nursery	<u>193</u>	<u>176</u>
Totals	<u>8,730</u>	<u>8,396</u>
DISCHARGES		
Medical, surgical and obstetrical	471	463
Swing bed		
Skilled care	103	86
Intermediate care	21	24
Nursery	<u>83</u>	<u>70</u>
Totals	<u>678</u>	<u>643</u>
AVERAGE LENGTH OF STAY		
Medical, surgical and obstetrical	2.99	2.94
Swing bed		
Skilled care	8.17	7.31
Intermediate care	299.29	259.67
Nursery	2.33	2.51

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

Board of Trustees
Jackson County Regional Health Center
Maquoketa, Iowa

We have audited the financial statements of Jackson County Regional Health Center as of and for the year ended June 30, 2007, and have issued our report thereon dated August 9, 2007. We conducted our audit 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 audit, we considered the Health Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Health Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Health Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Health Center's financial statements that is more than inconsequential will not be prevented or detected by the Health Center's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Health Center's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Health Center's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Health Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part II of the accompanying Schedule of Findings.

This report, a public record by law, is intended solely for the information and use of the Board of Trustees, management, employees and citizens of Jackson County and other parties to whom the Health Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 9, 2007

**Jackson County Regional Health Center
SCHEDULE OF FINDINGS
Year ended June 30, 2007**

Part I—Findings Related to the Financial Statements

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

**Jackson County Regional Health Center
SCHEDULE OF FINDINGS
Year ended June 30, 2007**

Part II—Findings Related to Required Statutory Reporting

07-II-A CERTIFIED BUDGET

Based on a comparison of actual budget basis expenditures with County Hospital budgeted expenditures, it appears the Health Center did not exceed its budget for the year ended June 30, 2007.

07-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Health Center funds were noted.

07-II-C TRAVEL EXPENSES

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

07-II-D BUSINESS TRANSACTIONS

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

07-II-E BOARD MINUTES

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

07-II-F DEPOSITS AND INVESTMENTS

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