

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

**FINANCIAL REPORT**

**June 30, 2009**

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**Jackson County Regional Health Center  
OFFICIALS  
June 30, 2009**

**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, 2014  
December 31, 2014  
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 sheets of Jackson County Regional Health Center as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in fund equity, 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 audits 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 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 Regional Health Center as of June 30, 2009 and 2008, and the results of its operations 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 a report dated August 7, 2009 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 accounting principles generally accepted in the United States of America. 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 7, 2009

## **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, 2009 and 2008. 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 \$625,039, or 3%, to \$21,894,786
- Total assets whose use is limited increased by \$1,281,409 to \$5,350,108
- Total property and equipment decreased by \$672,463 to \$9,882,483
- Total fund equity increased by \$609,285 to \$19,768,540
- Net patient service revenue increased by \$483,997, or 4%, to \$13,948,689
- Expenses increased by \$584,251, or 4%, to \$14,477,298

### **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**

	<b>June 30</b>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 5,812,195	\$ 5,796,102	\$ 5,541,482
Assets whose use is limited	5,350,108	4,068,699	3,044,475
Property and equipment	9,882,483	10,554,946	11,251,265
Other asset	<u>850,000</u>	<u>850,000</u>	<u>800,000</u>
Total assets	<u>\$21,894,786</u>	<u>\$21,269,747</u>	<u>\$20,637,222</u>
Current liabilities	\$ 1,276,246	\$ 1,260,492	\$ 1,432,661
Other noncurrent liabilities	<u>850,000</u>	<u>850,000</u>	<u>800,000</u>
Total liabilities	<u>\$ 2,126,246</u>	<u>\$ 2,110,492</u>	<u>\$ 2,232,661</u>
Invested in capital assets, net of related debt	\$ 9,882,483	\$10,554,946	\$11,251,265
Unrestricted	<u>9,886,057</u>	<u>8,604,309</u>	<u>7,153,296</u>
Total fund equity	<u>\$19,768,540</u>	<u>\$19,159,255</u>	<u>\$18,404,561</u>

As depicted in Table 1, total assets increased in fiscal year 2009 to \$21,894,786. The change in total assets results primarily from an increase in assets whose use is limited as a result of net cash provided by operating activities.

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**

	<b>Year ended June 30</b>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net patient service revenue	\$13,948,689	\$13,464,692	\$13,087,270
Other revenue	<u>150,809</u>	<u>166,439</u>	<u>159,189</u>
Total revenue	<u>14,099,498</u>	<u>13,631,131</u>	<u>13,246,459</u>
Salaries	6,232,624	6,112,572	5,836,628
Supplies and expenses	7,000,683	6,417,954	5,860,988
Provision for depreciation	<u>1,243,991</u>	<u>1,362,521</u>	<u>1,392,594</u>
Total expenses	<u>14,477,298</u>	<u>13,893,047</u>	<u>13,090,210</u>
Operating income (loss)	<u>(377,800)</u>	<u>(261,916)</u>	<u>156,249</u>
County taxes	846,576	796,828	799,966
Investment income	108,894	218,921	229,901
Unrestricted contributions	<u>31,615</u>	<u>861</u>	<u>15,026</u>
Total nonoperating gains	<u>987,085</u>	<u>1,016,610</u>	<u>1,044,893</u>
Change in fund equity	609,285	754,694	1,201,142
Total fund equity, beginning	<u>19,159,255</u>	<u>18,404,561</u>	<u>17,203,419</u>
Total fund equity, ending	<u>\$19,768,540</u>	<u>\$19,159,255</u>	<u>\$18,404,561</u>

## **Operating and Financial Performance**

The following summarizes the Health Center's statements of revenues, expenses and changes in fund equity between June 30, 2009 and 2008.

**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 2009 were 368 compared to 386 in fiscal year 2008. Average length of stay was 2.82 for fiscal year 2009 compared to 2.99 in fiscal year 2008 as patient days decreased to 1,037 from 1,155 in 2008. Volume on the outpatient side indicated positive growth in 2009. In 2009, gross outpatient charges increased to \$16,828,539 compared to \$16,245,127 in 2008. Operating and recovery rooms, ambulance and radiology, ancillary services reflected the most significant growth in 2009.

**Price Increase:** As is customary annually, the Health Center did review its charge structure and incorporated certain price increases in 2009. Overall, gross patient service revenue increased to \$21,182,575 from \$20,364,158 in 2008.

**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 \$7,233,886 in 2009 compared to \$6,899,466 in 2008, representing 34% of gross patient charges for each year.

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>2009</u>	<u>2008</u>	<u>2007</u>
Medicare	46%	48%	48%
Medicaid	15	14	15
Commercial insurance	31	30	29
Patients	<u>8</u>	<u>8</u>	<u>8</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

## **Other Revenue**

Other revenue decreased to \$150,809 in 2009 compared to \$166,439 in 2008.

## **Expenses**

Approximately 43% of Health Center's expenses are for salaries. Total salaries increased by 2% to \$6,232,624 in 2009 from \$6,112,572 in 2008. The Health Center departments experiencing the most significant increase in 2009 were emergency services and anesthesiology.

Approximately 48% of Health Center's expenses are for supplies and expenses. Total supplies and expenses increased by 9% to \$7,000,683 in 2009 from \$6,417,954 in 2008. The Health Center departments experiencing the most significant increase in 2009 were medical, surgical and obstetrical, emergency service, and physical therapy.

Approximately 9% of Health Center's expenses relate to provision for depreciation. The provision for depreciation decreased to \$1,243,991 in 2009 from \$1,362,521 in 2008.

### **Nonoperating Gains**

Nonoperating gains slightly decreased to \$987,085 from \$1,016,610 in 2008.

### **Property and Equipment**

At the end of 2009, the Health Center had \$9,882,483 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 2009, \$635,323 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**

	<b>June 30</b>		
	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
Land	\$ 134,101	\$ 134,101	\$ 134,101
Land improvements	134,461	134,461	123,625
Building and improvement	15,379,888	15,223,169	15,047,266
Major movable equipment	<u>6,241,189</u>	<u>6,026,288</u>	<u>5,796,307</u>
Subtotal	21,889,639	21,518,019	21,101,299
Less accumulated depreciation	<u>(12,007,156)</u>	<u>(10,963,073)</u>	<u>(9,850,034)</u>
Property and equipment	<u>\$ 9,882,483</u>	<u>\$10,554,946</u>	<u>\$11,251,265</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 2009 actual cash basis financial information to its annual County Hospital budget is presented in Table 5.

**Table 5**  
**Actual vs Budget**

	<b><u>Actual cash basis</u></b>	<b><u>Annual County Hospital budget</u></b>	<b><u>Variance</u></b>
Amount to be raised by taxation	\$ 846,576	\$ 825,785	\$ 20,791
Other revenues/receipts	<u>14,240,007</u>	<u>16,873,076</u>	<u>(2,633,069)</u>
	15,086,583	17,698,861	(2,612,278)
Expenses/expenditures	<u>13,868,630</u>	<u>21,466,606</u>	<u>(7,597,976)</u>
Net	<u>\$ 1,217,953</u>	<u>\$ (3,767,745)</u>	<u>\$ 4,985,698</u>

Actual other revenues/receipts results were lower than County Hospital budget primarily due to less proceeds from issuance of long-term 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 2010 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**

	<b>June 30</b>	
<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 3,137,072	\$ 2,915,252
Patient receivables, less allowances for contractual adjustments and bad debts	2,015,827	2,158,711
Other receivables	38,541	27,559
Estimated third-party payor settlements	88,500	110,000
Inventories	395,199	397,628
Prepaid expenses	<u>137,056</u>	<u>186,952</u>
Total current assets	<u>5,812,195</u>	<u>5,796,102</u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
Designated by board for plant replacement and expansion		
Cash	1,807,896	4,068,699
Certificates of deposit	<u>3,542,212</u>	<u>—</u>
Total assets whose use is limited	<u>5,350,108</u>	<u>4,068,699</u>
<b>PROPERTY AND EQUIPMENT</b>		
Less accumulated depreciation	21,889,639	21,518,019
Total property and equipment	<u>12,007,156</u>	<u>10,963,073</u>
	<u>9,882,483</u>	<u>10,554,946</u>
<b>OTHER ASSET</b>		
Succeeding year property tax receivable	<u>850,000</u>	<u>850,000</u>
Totals	<u>\$21,894,786</u>	<u>\$21,269,747</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 488,359	\$ 427,358
Accrued employee compensation	629,812	628,521
Payroll taxes and amounts withheld from employees	98,075	114,613
Estimated third-party payor settlements	<u>60,000</u>	<u>90,000</u>
Total current liabilities	<u>1,276,246</u>	<u>1,260,492</u>
<b>DEFERRED REVENUE FOR SUCCEEDING YEAR PROPERTY TAX RECEIVABLE</b>		
	<u>850,000</u>	<u>850,000</u>
<b>FUND EQUITY</b>		
Invested in capital assets, net of related debt	9,882,483	10,554,946
Unrestricted	<u>9,886,057</u>	<u>8,604,309</u>
Total fund equity	<u>19,768,540</u>	<u>19,159,255</u>
Totals	<u>\$21,894,786</u>	<u>\$21,269,747</u>

See Notes to Financial Statements.

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

	<b>Year ended June 30</b>	
	<b>2009</b>	<b>2008</b>
<b>NET PATIENT SERVICE REVENUE</b> , net of provision for bad debts 2009 \$723,385; 2008 \$721,212	\$13,948,689	\$13,464,692
<b>OTHER REVENUE</b>	<u>150,809</u>	<u>166,439</u>
Total revenue	<u>14,099,498</u>	<u>13,631,131</u>
<b>EXPENSES</b>		
Nursing service	4,751,750	4,359,731
Other professional service	3,923,060	3,753,591
General service	1,434,348	1,414,034
Fiscal and administrative service and unassigned expenses	3,124,149	3,003,170
Provision for depreciation	<u>1,243,991</u>	<u>1,362,521</u>
Total operating expenses	<u>14,477,298</u>	<u>13,893,047</u>
Operating (loss)	<u>(377,800)</u>	<u>(261,916)</u>
<b>NONOPERATING GAINS</b>		
County taxes	846,576	796,828
Investment income	108,894	218,921
Unrestricted contributions	<u>31,615</u>	<u>861</u>
Total nonoperating gains	<u>987,085</u>	<u>1,016,610</u>
Change in fund equity	609,285	754,694
<b>TOTAL FUND EQUITY</b>		
Beginning	19,159,255	18,404,561
Ending	<u>\$19,768,540</u>	<u>\$19,159,255</u>

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

	<b>Year ended June 30</b>	
	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from patients and third-party payors	\$14,083,073	\$12,908,059
Cash paid to suppliers for goods and services	(6,868,042)	(6,241,481)
Cash paid to employees for services	(6,247,871)	(6,050,347)
Other operating revenue received	<u>150,809</u>	<u>166,439</u>
Net cash provided by operating activities	<u>1,117,969</u>	<u>782,670</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
County taxes	846,576	796,828
Contributions received	<u>31,615</u>	<u>861</u>
Net cash provided by noncapital financing activities	<u>878,191</u>	<u>797,689</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of property and equipment	<u>(571,528)</u>	<u>(666,202)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificates of deposit	(3,542,212)	-
Interest received	<u>78,597</u>	<u>218,921</u>
Net cash provided by (used in) investing activities	<u>(3,463,615)</u>	<u>218,921</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(2,038,983)	1,133,078
<b>CASH</b>		
Beginning	<u>6,983,951</u>	<u>5,850,873</u>
Ending	<u>\$ 4,944,968</u>	<u>\$ 6,983,951</u>

See Notes to Financial Statements.

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

	<b>Year ended June 30</b>	
	<b>2009</b>	<b>2008</b>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating (loss)	\$ (377,800)	\$ (261,916)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	1,243,991	1,362,521
Changes in assets and liabilities		
(Increase) decrease in patient receivables	142,884	(36,633)
(Increase) decrease in other receivables	19,315	(9,145)
(Decrease) in net estimated third-party payor settlements	(8,500)	(520,000)
(Increase) decrease in inventories	2,429	(24,139)
Decrease in prepaid expenses	49,896	34,151
Increase in accounts payable	61,001	175,606
Increase in accrued employee compensation	1,291	44,801
Increase (decrease) in payroll taxes and amounts withheld from employees	<u>(16,538)</u>	<u>17,424</u>
Net cash provided by operating activities	<u>\$ 1,117,969</u>	<u>\$ 782,670</u>
<b>RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET</b>		
Per balance sheet		
Current assets, cash	\$ 3,137,072	\$ 2,915,252
Assets whose use is limited		
Designated by board for plant replacement and expansion, cash	<u>1,807,896</u>	<u>4,068,699</u>
Total per statement of cash flows	<u>\$ 4,944,968</u>	<u>\$ 6,983,951</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.

**Investments and Investment Income**

The Hospital's investments are nonnegotiable certificates of deposit reported at cost.

The nonnegotiable certificates of deposits are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors.

Investment income is reported as nonoperating gains.

**Inventories**

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

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

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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 for Succeeding Year Property Tax Receivable**

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:

**Invested 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. The Health Center has no long-term debt.

**Restricted**

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. The Health Center has no restricted fund equity.

**Unrestricted**

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.

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

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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 and 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.

**NOTE 2 CASH**

The Health Center's deposits in banks at June 30, 2009 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>2009</u>	<u>2008</u>
Medicare	\$ 891,551	\$1,061,362
Medicaid	367,400	328,840
Commercial insurance	761,328	946,832
Patients	<u>805,548</u>	<u>801,677</u>
Total patient receivables	2,825,827	3,138,711
Less allowances for contractual adjustments and bad debts	<u>(810,000)</u>	<u>(980,000)</u>
Net patient receivables	<u>\$2,015,827</u>	<u>\$2,158,711</u>

**NOTE 4 PROPERTY AND EQUIPMENT**

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

	<u>June 30, 2009</u>		<u>June 30, 2008</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 134,101	\$ -	\$ 134,101	\$ -
Land improvements	134,461	113,379	134,461	109,689
Building and improvements	15,379,888	7,262,084	15,223,169	6,597,385
Major movable equipment	<u>6,241,189</u>	<u>4,631,693</u>	<u>6,026,288</u>	<u>4,255,999</u>
Totals	<u>\$21,889,639</u>	<u>\$12,007,156</u>	<u>\$21,518,019</u>	<u>\$10,963,073</u>

A summary of changes in property and equipment for the year ended June 30, 2009 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 134,101	\$ -	\$ -	\$ 134,101
Land improvements	134,461	-	-	134,461
Building and improvements	15,223,169	282,569	(125,850)	15,379,888
Major movable equipment	<u>6,026,288</u>	<u>352,754</u>	<u>(137,853)</u>	<u>6,241,189</u>
Totals	21,518,019	635,323	(263,703)	21,889,639
Less accumulated depreciation	<u>(10,963,073)</u>	<u>(1,243,991)</u>	<u>199,908</u>	<u>(12,007,156)</u>
Net property and equipment	<u>\$10,554,946</u>	<u>\$ (608,668)</u>	<u>\$ (63,795)</u>	<u>\$ 9,882,483</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, 2008 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 134,101	\$ -	\$ -	\$ 134,101
Land improvements	123,625	10,836	-	134,461
Building and improvements	15,047,266	183,371	(7,468)	15,223,169
Major movable equipment	<u>5,796,307</u>	<u>479,589</u>	<u>(249,608)</u>	<u>6,026,288</u>
Totals	<u>21,101,299</u>	<u>673,796</u>	<u>(257,076)</u>	<u>21,518,019</u>
Less accumulated depreciation	<u>(9,850,034)</u>	<u>(1,362,521)</u>	<u>249,482</u>	<u>(10,963,073)</u>
Net property and equipment	<u>\$11,251,265</u>	<u>\$ (688,725)</u>	<u>\$ (7,594)</u>	<u>\$10,554,946</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, 2007.

**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.

For the year ended June 30, 2009 regular plan members were required to contribute 4.1% of their annual salary and the Health Center is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The Health Center's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$395,844, \$362,004 and \$332,946, 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, 2009 and 2008.

	<b>2009</b>	<b>2008</b>
Charges foregone, based on established rates	\$ <u>101,363</u>	\$ <u>51,600</u>
Equivalent percentage of charity care patients to all patients served	<u>.5%</u>	<u>.3%</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, 2009 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 MEDICAL BENEFIT PLAN**

The Health Center has entered into a self-insured medical benefit plan for virtually all employees. The plan is funded by both Health Center and employee contributions. Claims for health care services for employees and their families are accrued when reported by the claims administrator. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$40,000 per person, with an aggregate stop-loss provision for the plan as a whole of approximately \$625,000. Total expenses, which include claims, administration and stop-loss insurance premiums, under this plan for the year ended June 30, 2009 was \$311,519, included in fiscal and administrative and unassigned expenses.

**NOTE 10 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 and debt service proceeds and payments are recorded on the County Hospital budget basis.

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

**NOTE 10 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING (continued)**

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	\$ 846,576	\$ -	\$ 846,576	\$ 825,785
Other revenues/receipts	<u>14,240,007</u>	<u>-</u>	<u>14,240,007</u>	<u>16,873,076</u>
	15,086,583	-	15,086,583	17,698,861
Expenses/expenditures	<u>14,477,298</u>	<u>(608,668)</u>	<u>13,868,630</u>	<u>21,466,606</u>
Net	609,285	608,668	1,217,953	(3,767,745)
Balance, beginning	<u>19,159,255</u>	<u>(10,491,151)</u>	<u>8,668,104</u>	<u>6,749,745</u>
Balance, ending	<u>\$19,768,540</u>	<u>\$ (9,882,483)</u>	<u>\$ 9,886,057</u>	<u>\$ 2,982,000</u>

**NOTE 11 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 audits of the basic financial statements of Jackson County Regional Health Center for 2009 and 2008 appears on page 4. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Denman & Company, LLP*  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
August 7, 2009

**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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
0 - 30 days (includes patients in Health Center at end of year)	\$1,770,340	\$2,060,726	62.65%	65.66%
31 - 60 days	431,375	346,919	15.27	11.05
61 - 90 days	155,595	187,024	5.51	5.96
91 - 180 days	225,830	243,522	7.99	7.76
Over 180 days	<u>242,687</u>	<u>300,520</u>	<u>8.58</u>	<u>9.57</u>
Totals	<u>2,825,827</u>	<u>3,138,711</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	350,000	490,000		
Medicaid	90,000	70,000		
Other	70,000	120,000		
Bad debts	<u>300,000</u>	<u>300,000</u>		
Total allowances	<u>810,000</u>	<u>980,000</u>		
Totals	<u>\$2,015,827</u>	<u>\$2,158,711</u>		
<b>NET PATIENT SERVICE REVENUE PER CALENDAR DAY</b>	<u>\$ 38,216</u>	<u>\$ 36,789</u>		
<b>NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES</b>	<u>53</u>	<u>59</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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>BALANCE</b> , beginning	\$ 300,000	\$ 200,000		
<b>ADD</b>				
Provision for bad debts	723,385	721,212	5.19%	5.36%
Recoveries of accounts previously written off	<u>265,111</u>	<u>176,733</u>	1.90	1.31
	1,288,496	1,097,945		
<b>DEDUCT</b>				
Accounts written off	<u>988,496</u>	<u>797,945</u>	7.09	5.93
<b>BALANCE</b> , ending	<u>\$ 300,000</u>	<u>\$ 300,000</u>		

**Jackson County Regional Health Center**  
**PATIENT SERVICE REVENUE**  
Year ended June 30, 2009, with comparative totals for 2008

	<u>2009</u>			<u>2008</u>
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
<b>DAILY PATIENT SERVICES</b>				
Medical, surgical and obstetrical	\$ 737,485	\$ 141,764	\$ 879,249	\$ 951,855
Skilled care	395,983	-	395,983	250,432
Intermediate care	1,170,422	-	1,170,422	1,207,807
Nursery	102,945	32,050	134,995	115,281
	<u>2,406,835</u>	<u>173,814</u>	<u>2,580,649</u>	<u>2,525,375</u>
<b>OTHER NURSING SERVICES</b>				
Operating and recovery rooms	229,433	1,751,480	1,980,913	1,669,490
Delivery and labor rooms	49,708	23,560	73,268	55,851
Central supply	129,150	544,272	673,422	625,670
Emergency service	28,218	2,582,262	2,610,480	2,541,050
Ambulance	41,369	812,428	853,797	749,626
Community health	-	700,066	700,066	764,324
	<u>477,878</u>	<u>6,414,068</u>	<u>6,891,946</u>	<u>6,406,011</u>
<b>OTHER PROFESSIONAL SERVICES</b>				
Laboratory	338,048	1,661,288	1,999,336	1,956,425
Radiology	229,298	4,121,592	4,350,890	3,872,886
Nuclear medicine	2,639	47,649	50,288	52,292
Pharmacy	427,181	1,080,595	1,507,776	1,642,585
Anesthesiology	131,940	811,050	942,990	803,310
Dialysis	891	984,740	985,631	1,356,102
Respiratory therapy	98,732	292,752	391,484	362,010
Cardiac rehabilitation	-	134,338	134,338	94,843
Physical therapy	124,299	492,064	616,363	560,233
Speech therapy	13,934	26,905	40,839	43,137
Occupational therapy	66,265	37,328	103,593	114,975
Diabetic education	-	20,638	20,638	24,401
General surgery	137,459	477,660	615,119	556,988
Specialty clinics	-	52,058	52,058	44,185
	<u>1,570,686</u>	<u>10,240,657</u>	<u>11,811,343</u>	<u>11,484,372</u>
Totals	<u>\$4,455,399</u>	<u>\$16,828,539</u>	21,283,938	20,415,758
Charity care charges foregone, based on established rates			(101,363)	(51,600)
Total gross patient service revenue			21,182,575	20,364,158
Provisions for contractual adjustments and bad debts			(7,233,886)	(6,899,466)
Total net patient service revenue			<u>\$13,948,689</u>	<u>\$13,464,692</u>

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

	<b>Year ended June 30</b>	
	<b>2009</b>	<b>2008</b>
Contractual adjustments		
Medicare	\$3,613,848	\$3,640,452
Medicaid	1,265,364	1,001,756
Other adjustments	1,631,289	1,536,046
Provision for bad debts	723,385	721,212
Totals	\$7,233,886	\$6,899,466

**OTHER REVENUE**

	<b>Year ended June 30</b>	
	<b>2009</b>	<b>2008</b>
Meals on Wheels	\$ 39,867	\$ 35,419
Home delivered meals	12,731	16,241
Purchase discounts	27,654	23,351
Miscellaneous	70,557	91,428
Totals	\$ 150,809	\$ 166,439

**Jackson County Regional Health Center**  
**EXPENSES**  
Year ended June 30, 2009, with comparative totals for 2008

	<u>2009</u>			<u>2008</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
<b>NURSING SERVICE</b>				
Nursing administration	\$ 100,719	\$ 13,033	\$ 113,752	\$ 119,379
Medical, surgical and obstetrical	720,683	316,070	1,036,753	831,305
Intermediate care	565,154	89,261	654,415	630,305
Nursery	18,991	15	19,006	16,985
Operating and recovery rooms	246,948	120,442	367,390	305,077
Delivery and labor rooms	34,528	-	34,528	30,853
Central supply	17,019	226,649	243,668	267,174
Emergency service	497,340	804,001	1,301,341	1,167,836
Ambulance	400,578	49,798	450,376	435,076
Community health	<u>456,638</u>	<u>73,883</u>	<u>530,521</u>	<u>555,741</u>
Total nursing service	<u>3,058,598</u>	<u>1,693,152</u>	<u>4,751,750</u>	<u>4,359,731</u>
<b>OTHER PROFESSIONAL SERVICE</b>				
Laboratory	319,369	399,645	719,014	687,206
Radiology	249,701	485,461	735,162	695,404
Pharmacy	137,410	594,316	731,726	708,083
Anesthesiology	294,858	15,747	310,605	274,525
Dialysis	182,644	86,242	268,886	313,599
Respiratory therapy	25,613	10,067	35,680	36,591
Cardiac rehabilitation	52,880	7,699	60,579	53,267
Physical therapy	97,831	253,928	351,759	291,765
Speech therapy	-	19,412	19,412	26,355
Occupational therapy	-	55,551	55,551	59,439
Diabetic education	47,175	1,033	48,208	50,440
General surgery	261,555	25,339	286,894	275,647
Specialty clinics	7,848	1,105	8,953	7,178
Medical records	189,349	54,465	243,814	237,036
Social services	<u>45,261</u>	<u>1,556</u>	<u>46,817</u>	<u>37,056</u>
Total other professional service	<u>1,911,494</u>	<u>2,011,566</u>	<u>3,923,060</u>	<u>3,753,591</u>
<b>GENERAL SERVICE</b>				
Dietary	229,086	130,149	359,235	369,800
Operation of plant	200,769	593,694	794,463	777,951
Housekeeping	157,597	33,119	190,716	186,138
Laundry	<u>67,402</u>	<u>22,532</u>	<u>89,934</u>	<u>80,145</u>
Total general service	<u>654,854</u>	<u>779,494</u>	<u>1,434,348</u>	<u>1,414,034</u>
<b>FISCAL AND ADMINISTRATIVE SERVICE</b>				
Administrative	84,839	465,969	550,808	522,787
Accounting	127,077	2,829	129,906	129,288
Business office	196,365	100,432	296,797	294,405
Human resources	100,103	26,859	126,962	129,102
Purchasing	87,869	16,236	104,105	89,572
Employee health	11,425	1,727	13,152	16,119
Data processing	-	175,950	175,950	159,109

**Jackson County Regional Health Center**  
**EXPENSES (continued)**  
**Year ended June 30, 2009, with comparative totals for 2008**

	<u>2009</u>			<u>2008</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
<b>UNASSIGNED EXPENSES</b>				
FICA	\$ —	\$ 443,821	\$ 443,821	\$ 434,480
IPERS	—	395,844	395,844	362,004
Group health, life and other benefits	—	678,183	678,183	651,466
Workers compensation Insurance	—	106,633	106,633	105,722
Insurance	<u>—</u>	<u>101,988</u>	<u>101,988</u>	<u>109,116</u>
Total fiscal and administrative service and unassigned expenses	<u>607,678</u>	<u>2,516,471</u>	<u>3,124,149</u>	<u>3,003,170</u>
<b>PROVISION FOR DEPRECIATION</b>	<u>—</u>	<u>1,243,991</u>	<u>1,243,991</u>	<u>1,362,521</u>
Total expenses	<u>\$6,232,624</u>	<u>\$8,244,674</u>	<u>\$14,477,298</u>	<u>\$13,893,047</u>

**Jackson County Regional Health Center  
COMPARATIVE STATISTICS**

	<b>Year ended June 30</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>PATIENT DAYS</b>		
Medical, surgical and obstetrical	1,037	1,155
Swing bed		
Skilled care	816	688
Intermediate care	6,274	6,431
Nursery	<u>147</u>	<u>126</u>
Totals	<b><u>8,274</u></b>	<b><u>8,400</u></b>
<b>DISCHARGES</b>		
Medical, surgical and obstetrical	368	386
Swing bed		
Skilled care	81	83
Intermediate care	35	19
Nursery	<u>66</u>	<u>57</u>
Totals	<b><u>550</u></b>	<b><u>545</u></b>
<b>AVERAGE LENGTH OF STAY</b>		
Medical, surgical and obstetrical	2.82	2.99
Swing bed		
Skilled care	10.07	8.29
Intermediate care	179.26	338.47
Nursery	2.23	2.21

**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, 2009, and have issued our report thereon dated August 7, 2009. 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, 2009 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 7, 2009

**Jackson County Regional Health Center  
SCHEDULE OF FINDINGS  
Year ended June 30, 2009**

**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, 2009**

**Part II—Findings Related to Required Statutory Reporting**

**09-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, 2009.

**09-II-B QUESTIONABLE EXPENDITURES**

No questionable expenditures of Health Center funds were noted.

**09-II-C TRAVEL EXPENSES**

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

**09-II-D BUSINESS TRANSACTIONS**

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

**09-II-E BOARD MINUTES**

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

**09-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.