

**Jefferson County Hospital
d/b/a Jefferson County Health Center
Fairfield, Iowa**

FINANCIAL REPORT

June 30, 2009

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**Jefferson County Hospital
d/b/a Jefferson County Health Center
OFFICIALS
June 30, 2009**

(Before January 2009)

BOARD OF TRUSTEES

Expiration of term

Officers

Bob Keller, Chair	December 31, 2010
Merlin Miller, Vice Chair	December 31, 2008
Grace Bogaards, Secretary/Treasurer	December 31, 2008

Members

Laurel Woody	December 31, 2010
Dorian Atwood	December 31, 2008
Randy Menke	December 31, 2012
Tom Kunkle	December 31, 2012

CHIEF EXECUTIVE OFFICER

Ralph Paulding III (Through September 2008)
Deborah Cardin (September 2008-present)

CHIEF FINANCIAL OFFICER

Eugene Irwin

(After January 2009)

BOARD OF TRUSTEES

Expiration of term

Officers

Bob Keller, Chair	December 31, 2010
Tom Kunkle, Vice Chair	December 31, 2012
Grace Bogaards, Secretary/Treasurer	December 31, 2014

Members

Laurel Woody	December 31, 2010
Dorian Atwood	December 31, 2014
Randy Menke	December 31, 2012
Merlin Miller	December 31, 2014

CHIEF EXECUTIVE OFFICER

Deborah Cardin

CHIEF FINANCIAL OFFICER

Eugene Irwin

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Jefferson County Hospital
d/b/a Jefferson County Health Center
Fairfield, Iowa

We have audited the accompanying balance sheets of Jefferson County Hospital d/b/a Jefferson County 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 Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Jefferson County Hospital 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 our report dated November 18, 2009, on our consideration of Jefferson County Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5-11 and the budgetary comparison information on page 28 are not required parts of the basic financial statements but are 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 supplementary information. However, we did not audit the information and express no opinion on it.



DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 18, 2009

**JEFFERSON COUNTY HOSPITAL
d/b/a JEFFERSON COUNTY HEALTH CENTER**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Jefferson County Health Center, we offer readers of the Jefferson County Health Center's financial statements this narrative overview and analysis of the financial performance of our hospital during the fiscal years ended June 30, 2009, 2008 and 2007. Please read it in conjunction with the financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditor's report, the basic financial statements and supplementary information of Jefferson County Health Center. 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 Jefferson County Health Center report information of the Hospital 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 Jefferson County Health Center's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Jefferson County Health Center's creditors (liabilities). It also provides the basis for evaluating the capital structure of Jefferson County Health Center and assessing the liquidity and financial flexibility of the Hospital.

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 Jefferson County Health Center's operations over the past year and can be used to determine whether Jefferson County 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 decreased by \$ 1,444,536 from FY 2008 to \$60,280,657, following an increase in FY 2008 of \$28,838,764.
- Property and equipment increased from FY 2008 by \$10,726,747, following an increase of \$21,753,244 in FY 2008.
- Total debt increased from FY 2008 by \$626,381, following an increase of \$25,185,875 in FY 2008.
- Fund equity decreased in FY 2009 by \$328,067 and increased by \$1,163,488 in FY 2008.
- Net patient service revenue increased from FY 2008 by \$1,020,899. This followed an increase in FY 2008 of \$42,655.
- Expenses increased from FY 2008 by \$2,292,700 or 12.6%. This is due to a \$640,119 increase in depreciation and increased costs associated with physician recruiting and retention.
- Total margin for FY 2009 was (1.7%), compared to 6.4% for FY 2008.

FINANCIAL ANALYSIS OF THE HOSPITAL

The balance sheet and the statement of revenues, expenses, and changes in fund equity report the fund equity of Jefferson County Health Center and the changes in them. Jefferson County 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 fund equity are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth and new or changed governmental legislation should also be considered.

NET ASSETS

A summary of the Hospital's balance sheets at June 30, 2009, 2008 and 2007, are presented in Table 1 below.

Table 1
Condensed Balance Sheets

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Dollar Change</u>	<u>Total % Change</u>	<u>June 30, 2007</u>
Current and other assets	\$16,675,190	\$28,846,473	(\$12,171,283)	(42%)	\$21,760,953
Capital assets	\$43,605,467	\$32,878,720	\$10,726,747	33%	\$11,125,476
Total Assets	<u>\$60,280,657</u>	<u>\$61,725,193</u>	<u>(\$1,444,536)</u>	<u>(2%)</u>	<u>\$32,886,429</u>
Long-term debt outstanding	\$37,180,364	\$37,059,669	\$120,695	<1%	\$11,744,005
Other liabilities	\$4,295,981	\$5,533,145	(\$1,237,164)	(22%)	\$3,173,533
Total liabilities	<u>\$41,476,345</u>	<u>\$42,592,814</u>	<u>(1,116,469)</u>	<u>(3%)</u>	<u>\$14,917,538</u>
Total fund equity	<u>\$18,804,312</u>	<u>\$19,132,379</u>	<u>(\$328,067)</u>	<u>(2%)</u>	<u>\$17,968,891</u>

REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY

The following table presents a summary of the Jefferson County Health Center's historical revenues and expenses for each of the fiscal years ended June 30, 2009, 2008 and 2007.

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

	Year ended June 30,		
	2009	2008	2007
Total revenue	\$19,489,897	\$18,161,326	\$17,846,884
Expenses	\$20,557,460	\$18,264,760	17,399,081
Operating income (loss)	(\$1,067,563)	(\$103,434)	447,803
Non-operating gains	\$471,457	\$1,053,000	1,164,546
Excess (deficiency) of revenues over expenses	(\$596,106)	\$949,566	1,612,349
Other changes in fund equity-contributions	\$268,039	\$213,922	5,864
Total fund equity, beginning	\$19,132,379	\$17,968,891	16,350,678
Total fund equity, ending	\$18,804,312	\$19,132,379	\$17,968,891

Operating and Financial Performance

Volume: Acute inpatient admissions for fiscal year 2009 were 540 compared to 530 in fiscal year 2008. Acute patient days increased by 1% compared to FY 2008 because of the increase in admissions. Swing bed admissions decreased by 12% for FY 2009 to a total of 210 admissions. Swing bed patient days decreased by 3% due to the decrease in admissions and an increase in length of stay. Outpatient visits increased by 2% to 28,162 visits in FY 2009. Operating room procedures were 12% above FY 2008's level due to an increase in inpatient procedures and minor outpatient surgical procedures. Total operating room procedures in FY 2009 were 688 surgeries compared to 612 in FY 2008 with 87% of the surgeries being outpatient procedures.

Net Patient Service Revenue: Because of a slight increase in acute bed utilization, net patient service revenues increased by \$1,020,899 or 6% compared to fiscal year 2008. Increased outpatient utilization in lab and radiology services contributed to the 6% increase in net revenue even though there was a 13% increase in contractual allowances from FY 2008. During the fiscal year, Jefferson County Health Center's contractual allowances (the difference between billed charges and paid charges from third party payors) increased by \$1,362,514. The majority of the increase came from Wellmark and Medicare contractual allowance increases.

The following table presents the relative percentages of gross charges for patient services by payor for the years ended June 30, 2009, 2008 and 2007.

Table 3
Payor Mix by Percentage

	Year Ended June 30,		
	2009	2008	2007
Medicare	53%	50%	52%
Wellmark	26%	21%	9%
Other Commercial Insurance	9%	13%	20%
Medicaid	8%	9%	13%
All other	4%	7%	6%
Total	100%	100%	100%

Significant changes in operations from FY 2008:

Other Operating Revenue: FY 2009 showed a 52%, or \$307,672, increase in other operating revenue compared to FY 2008. The reasons for the increase in Other Operating Revenue are increased revenue related to physician recruiting and outsourcing our Bio Med Engineer to neighboring hospitals.

Employee Benefits: FY 2009 showed a \$56,441 decrease in Employee Benefit expense when compared to FY 2008. This is a 3% decrease in cost. The primary reason for the decrease is due to decrease in health insurance and unemployment compensation expense.

Interest Expense: There was a \$508,204 increase in interest expense during FY 2009. This increase represents recognizing 3 months of interest expense after the completion of construction of the new hospital. Operations at the new hospital began in April of 2009 so the capitalization of interest was completed as of March 2009.

CAPITAL ASSETS

At the end of fiscal year 2009, the Jefferson County Health Center has invested \$43,605,467 in capital assets. The increase in capital assets is due to the completion of the construction of the new hospital.

The following table summarizes Jefferson County Health Center's capital assets as of June 30, 2009, 2008 and 2007.

Table 4
Capital Assets
(in Thousands)

	June 30,			
	2009	2008	Change	2007
Land	\$1,474.2	\$1,474.2	\$0	\$1,443.9
Land improvements	\$2,127.1	\$570.6	\$1,556.5	564.5
Buildings	\$45,809.2	\$13,965.9	\$31,843.3	14,172.7
Major moveable equipment	\$12,277.4	\$9,341.4	\$2,936.0	8,719.1
Construction in progress	\$3.2	\$23,880.2	(\$23,877.0)	1,515.5
Subtotal	\$61,691.1	\$49,232.3	\$12,458.8	26,415.8
Less accumulated depreciation	(\$18,085.6)	(\$16,353.6)	(\$1,732.0)	(15,290.3)
Property, plant and equipment, net	\$43,605.5	\$32,878.7	\$10,726.8	\$11,125.5

DEBT ADMINISTRATION

Long-Term Debt

At year-end, Jefferson County Health Center had \$ 37,842,631 in long-term debt related to financing for an information technology upgrade, and financing for a replacement facility. This has increased from \$626,381 in fiscal year 2008. More detailed information about Jefferson County Health Center's outstanding debt is presented in the Notes to the Financial Statements. Note that total debt represents 201% of Jefferson County Health Center's equity as of year-end.

PERFORMANCE COMPARED TO BUDGET

Net patient revenues were \$1,125,600 or 6% under budget for the fiscal year ended June 30, 2009.

Operating expenses were \$ 1,718,200 or 9% over budget for the year with salaries and benefits being 4% above budget. The rest of the operating expenses reflect increased depreciation expense and interest expense related to the new hospital construction project completion.

Total non-operating gains were \$204,400 under budget due to a decrease in investment income.

The following table compares fiscal year 2009 actual to budget information.

Table 5
Budget vs. Actual
(In Thousands)

	FY 2009 Budget	FY 2009 Actual	Dollar Variance	Percent Variance
Gross patient service revenue	\$30,138.0	\$31,117.4	\$979.4	3.3%
Contractual adjustments and charity care	\$10,420.4	\$12,525.4	\$2,105.0	20.2%
Net patient service revenue	\$19,717.6	\$18,592.0	(\$1,125.6)	(5.7%)
Other operating revenue	\$273.0	\$897.8	\$624.8	228.9%
Total operating revenue	\$19,990.6	\$19,489.8	(\$500.8)	(2.5%)
Operating expenses	\$18,839.3	\$20,557.5	\$1,718.2	9.1%
Operating income	\$1,151.3	(\$1,067.7)	(\$2,219.0)	(192.7%)
Income from investments	\$418.1	\$206.0	(\$212.1)	(50.7%)
Other non-operating gains	\$794.2	\$801.9	\$7.7	1%
Interest expense	(\$1,211.9)	(\$536.3)	\$675.6	55.7%
Excess of revenues over expenses before contributions	\$1,151.7	(\$596.1)	(\$1,747.8)	(151.8%)

ECONOMIC AND OTHER FACTORS AND NEXT YEAR'S BUDGET

Jefferson County Health Center's Board and management considered many factors when setting the fiscal year 2010 budget. Of primary importance in setting the 2010 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Medicare and Medicaid reimbursement rates
- Privacy legislation (HIPAA)
- Increased expectations for quality at a lower price
- Workforce shortages
- Cost of supplies
- Surging drug costs
- Replacement facility loan costs

Contacting the Hospital's Finance Department

The Hospital's financial statements are designed to present users with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability. If you have questions about the report or need additional financial information, please contact the finance department at Jefferson County Health Center; 2000 S. Main; Fairfield, Iowa 52556. Phone number 641-472-4111.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
BALANCE SHEETS**

	June 30	
ASSETS	2009	2008
CURRENT ASSETS		
Cash	\$ 3,760,466	\$ 4,457,634
Assets whose use is limited, required for current liabilities	1,234,408	849,260
Patient receivables, less allowance for contractual adjustments and uncollectibles 2009 \$1,356,500; 2008 \$1,347,500	3,518,508	3,577,320
Other receivables	48,966	28,559
Estimated third-party payor settlements	470,000	100,579
Inventories	182,245	201,144
Prepaid expenses	375,561	253,647
Succeeding year property tax receivable	<u>984,952</u>	<u>774,433</u>
Total current assets	<u>10,575,106</u>	<u>10,242,576</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Certificates of deposit	185,000	1,234,664
Interest receivable	-	3,907
	<u>185,000</u>	<u>1,238,571</u>
Restricted by bond indenture agreement		
Cash and cash equivalents	6,490,644	9,615,542
U.S. government agency securities	-	8,067,345
	<u>6,490,644</u>	<u>17,682,887</u>
Restricted by donors for specific purpose		
Cash and cash equivalents	<u>35,057</u>	<u>42,246</u>
Total assets whose use is limited	<u>6,710,701</u>	<u>18,963,704</u>
Less assets whose use is limited, required for current liabilities	<u>1,234,408</u>	<u>849,260</u>
Noncurrent assets whose use is limited	<u>5,476,293</u>	<u>18,114,444</u>
PROPERTY AND EQUIPMENT		
Less accumulated depreciation	61,691,094	49,232,301
Total property and equipment	<u>18,085,627</u>	<u>16,353,581</u>
	<u>43,605,467</u>	<u>32,878,720</u>
OTHER ASSET		
Investment in joint ventures	<u>623,791</u>	<u>489,453</u>
Totals	<u>\$60,280,657</u>	<u>\$61,725,193</u>

		June 30	
LIABILITIES AND FUND EQUITY		2009	2008
CURRENT LIABILITIES			
Current maturities of long-term debt		\$ 662,267	\$ 156,581
Accounts payable			
Trade		663,875	566,360
Construction		346,753	2,237,243
Accrued employee compensation		803,282	779,597
Payroll taxes and withholdings		155,444	169,671
Accrued interest		679,408	849,260
Deferred revenue for succeeding year property tax receivable		984,952	774,433
		<u>4,295,981</u>	<u>5,533,145</u>
LONG-TERM DEBT		37,842,631	37,216,250
Less current maturities		<u>662,267</u>	<u>156,581</u>
Total long-term debt		<u>37,180,364</u>	<u>37,059,669</u>
COMMITMENTS AND CONTINGENCIES			
FUND EQUITY			
Invested in capital assets, net of related debt		9,596,777	10,708,065
Restricted			
By bond indenture agreement		2,656,703	2,637,292
For specific purpose by donors		35,057	42,246
Unrestricted		<u>6,515,775</u>	<u>5,744,776</u>
Total fund equity		18,804,312	19,132,379
		<u>\$60,280,657</u>	<u>\$61,725,193</u>
Totals			

**Jefferson County Hospital
d/b/a Jefferson County Health Center
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY**

	Year ended June 30	
	2009	2008
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2009 \$1,253,022; 2008 \$918,707	\$18,592,089	\$17,571,190
OTHER REVENUE	<u>897,808</u>	<u>590,136</u>
Total revenue	<u>19,489,897</u>	<u>18,161,326</u>
EXPENSES		
Nursing service	5,028,407	5,052,625
Other professional service	7,393,331	5,734,457
General service	2,241,143	2,259,111
Fiscal and administrative service and unassigned expenses	4,081,917	4,046,024
Provision for depreciation	<u>1,812,662</u>	<u>1,172,543</u>
Total expenses	<u>20,557,460</u>	<u>18,264,760</u>
Operating (loss)	<u>(1,067,563)</u>	<u>(103,434)</u>
NONOPERATING GAINS (LOSSES)		
County taxes	794,472	760,985
Investment income	163,568	263,478
Interest expense	(536,361)	(28,157)
Equity in income of joint venture investments	42,436	13,878
Unrestricted contributions	-	107
Gain on sale of property and equipment	<u>7,342</u>	<u>42,709</u>
Total nonoperating gains (losses)	<u>471,457</u>	<u>1,053,000</u>
Excess (deficiency) of revenues over expenses before contributions	<u>(596,106)</u>	<u>949,566</u>
CONTRIBUTIONS	<u>268,039</u>	<u>213,922</u>
Change in fund equity	(328,067)	1,163,488
TOTAL FUND EQUITY		
Beginning	<u>19,132,379</u>	<u>17,968,891</u>
Ending	<u>\$18,804,312</u>	<u>\$19,132,379</u>

See Notes to Financial Statements.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
STATEMENTS OF CASH FLOWS**

	Year ended June 30	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$18,281,480	\$16,739,395
Cash paid to suppliers for goods and services	(10,471,485)	(9,465,848)
Cash paid to employees for services	(8,269,355)	(7,604,562)
Other operating revenue received	<u>877,943</u>	<u>588,468</u>
Net cash provided by operating activities	<u>418,583</u>	<u>257,453</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes received	793,930	761,140
Unrestricted contributions	-	107
Scholarships paid by restricted fund	<u>(2,000)</u>	<u>(8,000)</u>
Net cash provided by noncapital financing activities	<u>791,930</u>	<u>753,247</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment and construction in progress	(14,429,897)	(20,161,521)
Principal payments on long-term debt	(183,619)	(197,772)
Proceeds on issuance of debt	810,000	25,383,647
Proceeds from sale of property and equipment	7,342	141,500
Interest paid on long-term debt	(706,213)	(28,157)
Contributions restricted for purchase of property and equipment	<u>268,039</u>	<u>213,922</u>
Net cash provided by (used in) capital and related financing activities	<u>(14,234,348)</u>	<u>5,351,619</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment (redemption) in U.S. government agency securities, net	8,067,345	(8,067,345)
Net transfers from assets whose use is limited	1,049,664	1,916,529
(Contributions to) investments in joint ventures	(91,902)	(313,705)
Investment income received	<u>169,473</u>	<u>309,970</u>
Net cash provided by (used in) investing activities	<u>9,194,580</u>	<u>(6,154,551)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,829,255)	207,768
CASH AND CASH EQUIVALENTS		
Beginning	<u>14,115,422</u>	<u>13,907,654</u>
Ending	<u>\$10,286,167</u>	<u>\$14,115,422</u>
SUPPLEMENTAL SCHEDULE OF NONINVESTING AND FINANCING ACTIVITIES		
Revenue bond proceeds used to refinance existing long-term debt	<u>\$ -</u>	<u>\$11,636,353</u>

See Notes to Financial Statements.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
STATEMENTS OF CASH FLOWS (continued)**

	Year ended June 30	
	2009	2008
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating (loss)	\$ (1,067,563)	\$ (103,434)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Provision for depreciation	1,812,662	1,172,543
Change in assets and liabilities		
(Increase) decrease in patient receivables	58,812	(301,216)
(Increase) in other receivables, net of noncapital financing activities	(19,865)	(1,668)
Decrease in inventories	18,899	38,981
(Increase) in prepaid expenses	(121,914)	(57,711)
Increase (decrease) in accounts payable, net of equipment payables	97,515	(131,038)
Increase in accrued employee compensation	23,685	142,359
Increase (decrease) in payroll taxes and withholdings	(14,227)	29,216
(Decrease) in net estimated third-party payor settlements	<u>(369,421)</u>	<u>(530,579)</u>
Net cash provided by operating activities	<u>\$ 418,583</u>	<u>\$ 257,453</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Per balance sheet		
Current assets	\$ 3,760,466	\$ 4,457,634
Assets whose use is limited		
Restricted by bond indenture agreement	6,490,644	9,615,542
Restricted by donors for specific purpose	<u>35,057</u>	<u>42,246</u>
Total per statement of cash flows	<u>\$10,286,167</u>	<u>\$14,115,422</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The Hospital 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 Jefferson County.

Reporting Entity

For financial reporting purposes, Jefferson County Hospital d/b/a Jefferson County Health Center has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. The Hospital has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Hospital. These criteria also include organizations that are fiscally dependent on the Hospital. Jefferson County Hospital has no component units which meet the Governmental Accounting Standards Board criteria.

Measurement Focus and Basis of Accounting

The Hospital is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Hospital 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 Hospital 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 Hospital has elected to apply only the provisions of relevant pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989.

Cash and Cash Equivalents

For the purpose of reporting the statement of cash flows the Hospital considers all cash accounts and mutual funds to be cash equivalents.

Investments and Investment Income

The Hospital's investments and the methods used in determining the reported amounts are as follows:

<u>Type</u>	<u>Method</u>
Interest-earning investment contracts Nonnegotiable certificates of deposit	Cost
Open-end mutual funds Mutual Funds	Fair value determined by current share price

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt securities

Agency securities

Maturity of one year or less when purchased

Amortized cost

Maturity of more than one year when purchased

Fair value based on quoted market prices

The nonnegotiable certificates of deposit and U.S. Government Agency Securities are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors. The debt securities with a remaining maturity of one year or less when purchased are also not significantly affected by the issuer's credit standing or by other factors.

Investments in certain partnerships are accounted for using the equity method under which the net income of the partnerships is recognized as investment income and added to the investment account.

Investment income includes interest income and the net increase (decrease) in the fair value of investments which includes realized and unrealized gains and losses on investments. Investment income is reported as nonoperating gains.

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. Property and equipment donated for Hospital operations are recorded at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method using these asset lives:

Land improvements	10 to 25 years
Buildings	5 to 40 years
Equipment	3 to 20 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. Current year delinquent property taxes receivable represents unpaid taxes for the current year. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

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.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity

Fund equity is presented in the following 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 amortization and reduced by the outstanding balances of the revenue notes and equipment notes payable that are attributable to the acquisition, construction, or improvement of those assets. Unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same fund equity component as the unspent proceeds.

Restricted

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

Unrestricted

Unrestricted fund equity has no externally imposed restrictions on use.

Charity Care

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

Net Patient Service Revenue

Patient service revenue is reported at the Hospital's established rates. 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.

Statements of 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 operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses. Operating expenses are all expenses incurred to provide health care services.

Credit Policy

The Hospital grants credit to patients, substantially all of whom are county residents.

Costs of Borrowing

Unamortized financing costs are amortized over the period the obligation is outstanding using the straight-line method.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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, disclosure of contingent 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.

Interest

Interest costs related to construction debt are capitalized and included with the costs of the project.

Reclassifications

Certain amounts have been reclassified in the 2008 financial statements in order to conform with the 2009 presentation, with no effect on the change in fund equity.

NOTE 2 CASH AND INVESTMENTS

The Hospital's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance, or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The mutual fund investments are uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the Hospital's name. The investments listed below, except the U.S. Government agency securities, are subject to custodial credit risk. The Hospital does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates (interest rate risk).

The Hospital's investments at June 30, 2009 are as follows:

	Maturities	Fair value
Mutual fund	Daily	\$ <u>35,057</u>

The primary objectives of the Hospital's investment policy include the safety and preservation of principal in the overall investment portfolio, the maintenance of necessary liquidity to match expected liabilities, and obtaining a reasonable return. Funds not identified as operating funds may be invested in investments with maturities longer than three hundred ninety-seven days, provided that the maturities shall be consistent with the needs and use of the Hospital.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 PATIENT RECEIVABLES

Patient accounts receivable reported as current assets consisted of these amounts:

	June 30	
	2009	2008
Receivable from patients	\$ 329,144	\$ 802,312
Receivable from insurance carriers	1,947,483	2,059,889
Receivable from Medicare	2,231,149	1,753,223
Receivable from Medicaid	<u>367,232</u>	<u>309,396</u>
Total patient receivables	4,875,008	4,924,820
Less allowances for contractual and other adjustments	(1,356,500)	(1,347,500)
 Totals	 <u>\$3,518,508</u>	 <u>\$3,577,320</u>

NOTE 4 ASSETS RESTRICTED BY BOND INDENTURE AGREEMENT

Assets restricted by the bond indenture agreement include funds that are required to be funded under the terms of the agreement. The agreement requires, among other things, the maintenance of the "Project Funds" (a "Taxable Proceeds Account" and a "Tax-Exempt Proceeds Account"), the "Bond Sinking Fund", the "Debt Service Reserve Fund" and the "Interest Fund" (a "Taxable Early Interest Account" and a "Tax-Exempt Early Interest Account"). There are provisions outlined in the agreement regarding deposit requirements in the various funds. Following are the changes in these funds for the year ended June 30, 2009:

	Project Fund	Sinking Fund	Debt Service Reserve Fund	Interest Fund	Total
BALANCE, beginning	\$13,202,737	\$ 48,023	\$2,589,269	\$1,842,858	\$17,682,887
Deposits	-	-	-	58,450	58,450
Investment income	203,624	544	24,682	77,117	305,967
Transfers, net	(2,281,493)	19,000	(19,000)	2,281,493	-
Project disbursements	<u>(9,507,973)</u>	<u>(133)</u>	<u>(5,682)</u>	<u>(2,042,872)</u>	<u>(11,556,660)</u>
 BALANCE, ending	 <u>\$ 1,616,895</u>	 <u>\$ 67,434</u>	 <u>\$2,589,269</u>	 <u>\$2,217,046</u>	 <u>\$ 6,490,644</u>

NOTE 5 NET PATIENT SERVICE REVENUE

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

Medicare and Medicaid

The Hospital is designated as a Critical Access Hospital. As a Critical Access Hospital, services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2008.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 NET PATIENT SERVICE REVENUE

Other

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

NOTE 6 PROPERTY AND EQUIPMENT

A summary of changes in property and equipment for the year ended June 30, 2009 and 2008 follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2009</u>
Land	\$ 1,474,185	\$ -	\$ -	\$ -	\$ 1,474,185
Land improvements	570,571	-	-	1,556,557	2,127,128
Buildings	13,965,862	-	-	31,843,315	45,809,177
Equipment	9,341,402	581,465	80,616	2,435,154	12,277,405
Construction and equipment installations in progress	<u>23,880,281</u>	<u>11,957,944</u>	<u>-</u>	<u>(35,835,026)</u>	<u>3,199</u>
Totals	49,232,301	12,539,409	80,616	-	61,691,094
Less accumulated depreciation and amortization	<u>(16,353,581)</u>	<u>(1,812,662)</u>	<u>(80,616)</u>	<u>-</u>	<u>(18,085,627)</u>
Net property and equipment	<u>\$32,878,720</u>	<u>\$10,726,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$43,605,467</u>
	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2009</u>
Land	\$ 1,443,941	\$ -	\$ 27,600	\$ 57,844	\$ 1,474,185
Land improvements	564,501	7,185	1,115	-	570,571
Buildings	14,172,714	-	173,864	(32,988)	13,965,862
Equipment	8,719,119	628,903	6,620	-	9,341,402
Construction and equipment installations in progress	<u>1,515,535</u>	<u>22,392,241</u>	<u>-</u>	<u>(27,495)</u>	<u>23,880,281</u>
Totals	26,415,810	23,028,329	209,199	(2,639)	49,232,301
Less accumulated depreciation and amortization	<u>(15,290,334)</u>	<u>(1,172,857)</u>	<u>(106,971)</u>	<u>2,639</u>	<u>(16,353,581)</u>
Net property and equipment	<u>\$11,125,476</u>	<u>\$21,855,472</u>	<u>\$ 102,228</u>	<u>\$ -</u>	<u>\$32,878,720</u>

Construction and equipment installations in progress at June 30, 2009 consists of costs incurred related to an Electronic File Management System.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 LONG TERM DEBT

The Jefferson County Hospital Revenue Note (Series 2008) dated December 22, 2008 was issued for the purpose of financing the costs of an improvement project to acquire, construct, equip and furnish a dialysis building to be located on the Hospital's campus. The Note is payable solely from the revenues of the Hospital. The agreement provided for advances of principal in an amount not to exceed \$810,000. The interest rate on the agreement is 6.5%. Monthly payments of \$9,765 are due until April, 2018. The balance at June 30, 2009 is \$782,962.

The Hospital entered into a Governmental Lease-Purchase Agreement with a bank for the purchase of equipment in March, 2005. The original amount of the obligation due under the agreement was \$240,854, with an interest rate of 4.5%. Monthly payments of \$4,491 are due until March, 2010. The agreement is secured by equipment.

The Board of Trustees of the Jefferson County Hospital adopted a resolution authorizing the issuance of revenue bonds to provide financing for the constructing and equipping a replacement hospital for the Jefferson County Hospital and constructing and equipping and improving medical office space located on the Hospital's campus. The bonds issued are as follows:

- Jefferson County Hospital Taxable Hospital Revenue Bond Series 2007A dated September 6, 2007. The bonds mature serially through August 2012 with interest payable on February 1 and August 1 of each year at an annual rate of 6%. The initial principal payment is August 2009. The balance at June 30, 2009 is \$2,440,000.
- Jefferson County Hospital Revenue Refunding Bonds, Series 2007B dated September 6, 2007. The bonds mature serially through August 2024, with the initial payment due August 2013. Interest is payable on February 1 and August 1 each year at annual rates ranging from 4.30% to 5.00%. Bonds maturing on or after August 1, 2017 are subject to redemption. The balance at June 30, 2009 is \$10,000,000.
- Jefferson County Hospital Revenue Bonds, Series 2007C dated September 25, 2007. The bonds mature serially through August 2037, with the initial payment due August 2024. Interest is payable on February 1 and August 1 each year at annual rates ranging from 5.375% to 5.950%. Bonds maturing on or after August 1, 2024 are subject to redemption. The balance at June 30, 2009 is \$24,580,000.

The agreements also require the maintenance of certain funds during the term of the agreements (See Note 4).

As to the above Hospital Revenue Notes and Bonds, the Hospital has pledged all future revenue to pay the principal and interest. The Notes and Bonds were issued to finance capital improvements of the Hospital and to provide financing for the constructing and equipping of a replacement hospital. The revenues are pledged through August 2037. The remaining principal and interest on the obligations as of June 30, 2009 is \$75,973,884. The following is a comparison of the pledged revenues and the principal and interest requirements of the Notes and Bonds for the years ended June 30, 2009 and 2008:

	Year ended June 30	
	2009	2008
Change in fund equity	\$ (328,067)	\$1,163,488
Provision for depreciation	1,812,662	1,172,543
Interest expense on the Notes and Bonds	<u>509,556</u>	<u>—</u>
 Pledged revenues	 <u>\$1,994,151</u>	 <u>\$2,336,031</u>
 Principal and interest requirements	 <u>\$2,096,000</u>	 <u>\$1,455,060</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 LONG TERM DEBT (continued)

Principal and interest maturities of long-term debt at June 30, 2009 are summarized as follows:

<u>Year ending June 30</u>	<u>Revenue Note</u>	<u>Equipment Note</u>	<u>Revenue Bonds</u>	<u>Total Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 67,601	\$ 39,669	\$ 555,000	\$ 662,270	\$ 2,071,913	\$ 2,734,183
2011	72,190	—	590,000	662,190	2,032,221	2,694,411
2012	76,985	—	625,000	701,985	1,990,976	2,692,961
2013	82,324	—	670,000	752,324	1,946,787	2,699,111
2014	87,916	—	710,000	797,916	1,905,830	2,703,746
2015-2019	395,946	—	4,050,000	4,445,946	8,924,754	13,370,700
2020-2024	—	—	5,125,000	5,125,000	7,794,269	12,919,269
2025-2029	—	—	6,655,000	6,655,000	6,276,543	12,931,543
2030-2034	—	—	8,835,000	8,835,000	4,092,378	12,927,378
2035-2038	—	—	9,205,000	9,205,000	1,136,004	10,341,004
Total	<u>782,962</u>	<u>39,669</u>	<u>37,020,000</u>	<u>37,842,631</u>	<u>38,171,675</u>	<u>76,014,306</u>
Less current maturities	<u>67,598</u>	<u>39,669</u>	<u>555,000</u>	<u>662,267</u>	<u>2,071,913</u>	<u>2,734,180</u>
Total long-term debt	\$ <u>715,364</u>	\$ <u>—</u>	\$ <u>36,465,000</u>	\$ <u>37,180,364</u>	\$ <u>36,099,762</u>	\$ <u>73,280,126</u>

A summary of changes in long-term debt for the year ended June 30, 2009 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Hospital Revenue Note (Series 2008)	\$ —	\$ 810,000	\$ 27,038	\$ 782,962	\$ 67,598
Hospital Revenue Refunding Bonds (Series 2007B)	10,000,000	—	—	10,000,000	—
Hospital Revenue Bonds (Series 2007A)	2,440,000	—	—	2,440,000	555,000
Hospital Revenue Bonds (Series 2007C)	24,580,000	—	—	24,580,000	—
Equipment notes	<u>196,250</u>	<u>—</u>	<u>156,581</u>	<u>39,669</u>	<u>39,669</u>
Totals	\$ <u>37,216,250</u>	\$ <u>810,000</u>	\$ <u>183,619</u>	\$ <u>37,842,631</u>	\$ <u>662,267</u>

A summary of changes in long-term debt for the year ended June 30, 2008 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Hospital Revenue Note (Series 2004)	\$ 1,649,993	\$ —	\$ 1,649,993	\$ —	\$ —
Hospital Anticipate Note (Series 2006)	10,000,000	—	10,000,000	—	—
Hospital Revenue Refunding Bonds (Series 2007B)	—	10,000,000	—	10,000,000	—
Hospital Revenue Bonds (Series 2007A)	—	2,440,000	—	2,440,000	—
Hospital Revenue Bonds (Series 2007C)	—	24,580,000	—	24,580,000	—
Equipment notes	<u>380,382</u>	<u>—</u>	<u>184,132</u>	<u>196,250</u>	<u>156,581</u>
Totals	\$ <u>12,030,375</u>	\$ <u>37,020,000</u>	\$ <u>11,834,125</u>	\$ <u>37,216,250</u>	\$ <u>156,581</u>

The Hospital capitalizes interest cost on construction project related debt during the construction period. For the year ended June 30, 2009 and 2008, the Hospital capitalized \$1,586,244 and \$1,455,060 of interest cost, respectively, and incurred total interest cost of \$2,122,605 and \$1,483,217 for 2009 and 2008, respectively.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 CONTINGENCIES

The Hospital 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.

The Hospital is from time to time subject to claims and suits alleging malpractice. In the opinion of management, the ultimate cost, if any, related to the resolution of such pending legal proceedings will be within the limits of insurance coverage and, accordingly, will not have a significant effect on the financial position or the results of operations of the Hospital.

Incidents occurring through June 30, 2009 may result in the assertion of additional 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 DEFINED BENEFIT PENSION PLAN

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

For the year ended June 30, 2009, regular plan members were required to contribute 4.10% of their annual salary and the Hospital is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$519,667 \$466,337 and \$410,021, respectively, equal to the required contributions for each year.

NOTE 10 CHARITY CARE

The Hospital 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.

	2009	2008
Charges foregone, based on established rates	\$ <u>354,500</u>	\$ <u>381,165</u>
Equivalent percentage of charity care patients to all patients served	<u>1.1%</u>	<u>1.3%</u>

NOTE 11 EMPLOYEE BENEFITS

The Hospital has developed a self-insured health insurance program for all employees. Claims for health care services for employees and their families are accrued when incurred. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$50,000 per person, with an aggregate stop-loss provision for the plan as a whole of approximately \$857,000. Total expense, which includes claims, administration fees, and stop-loss insurance, under this self-insurance program for the years ended June 30, 2009 and 2008 was \$665,256 and \$769,217, respectively.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 HOSPITAL RISK MANAGEMENT

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

NOTE 13 ROBERT A. RYAN, M.D. ENDOWED SCHOLARSHIP FUND

This fund was established through a donation received from Robert A. Ryan, M.D. The investment is to be maintained in perpetuity and the income only to be used for a nursing scholarship for a member of the senior class graduating from Fairfield High School, Fairfield, Iowa or from another high school in the area. At June 30, 2009, the balance of the fund was being maintained in mutual funds with a total balance of \$35,057.

NOTE 14 INVESTMENT IN JOINT VENTURES

The Hospital has varying interests in several joint ventures engaged in providing various health care services. The investments are accounted for using the equity method. The Hospital has recorded its share of the joint ventures' income of \$42,436 in 2009 and \$13,878 in 2008.

NOTE 15 PROPERTY LEASED TO OTHERS

The Hospital has entered into a lease agreement to lease medical office building space to physicians. The lease requires initial annual payments of \$53,100 through December, 2014. Lease payments will be adjusted each year after the initial three year lease period based on the Consumer Price Index. The Hospital is responsible for utilities, housekeeping and maintenance. This lease agreement may be amended upon completion of the replacement Hospital.

Future minimum payments under the lease are as follows:

Year ending June 30

2010	\$ 144,208
2011	144,208
2012	144,208
2013	144,208
2014	<u>72,104</u>
Total	\$ <u>648,936</u>

REQUIRED SUPPLEMENTARY INFORMATION

**Jefferson County Hospital
d/b/a Jefferson County Health Center
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS, BUDGET AND ACTUAL
Year ended June 30, 2009**

The following is a comparison of actual expenditures to budget:

	<u>Reported amounts (GAAP basis)</u>			<u>Budget basis adjustments</u>	<u>Budget basis</u>	<u>Budget</u>
	<u>*General funds</u>	<u>Donor- restricted funds</u>	<u>Total (memorandum only)</u>			
Amount to be raised by taxation	\$ 794,472	\$ -	\$ 794,472	\$ -	\$ 794,472	\$ 774,433
Other revenue/ receipts	<u>19,971,282</u>	<u>-</u>	<u>19,971,282</u>	<u>810,000</u>	<u>20,781,282</u>	<u>20,553,555</u>
	20,765,754	-	20,765,754	810,000	21,575,754	21,327,988
Expenses/ expenditures	<u>21,086,632</u>	<u>7,189</u>	<u>21,093,821</u>	<u>16,251,950</u>	<u>37,345,771</u>	<u>22,855,270</u>
Net	(320,878)	(7,189)	(328,067)	(15,441,950)	(15,770,017)	(1,527,282)
Balance, beginning	<u>19,090,133</u>	<u>42,246</u>	<u>19,132,379</u>	<u>(3,203,892)</u>	<u>15,928,487</u>	<u>16,684,241</u>
Balance, ending	<u>\$18,769,255</u>	<u>\$ 35,057</u>	<u>\$18,804,312</u>	<u>\$(18,645,842)</u>	<u>\$ 158,470</u>	<u>\$15,156,959</u>

*Includes unrestricted fund equity, fund equity invested in capital assets, net of related debt and restricted by bond indenture fund equity.

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

See Accompanying Auditor's Report.

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

The Board of Trustees
Jefferson County Hospital
d/b/a Jefferson County Health Center
Fairfield, Iowa

Our report on our audits of the basic financial statements of Jefferson County Hospital d/b/a Jefferson County Health Center as of and for the years ended June 30, 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
November 18, 2009

OTHER SUPPLEMENTARY INFORMATION

**Jefferson County Hospital
d/b/a Jefferson County 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 Hospital at end of year)	\$2,417,806	\$2,032,875	50.69%	46.93%
31 – 60 days	950,673	964,363	19.93	22.26
61 – 90 days	415,298	414,607	8.71	9.57
Over 90 days	<u>985,643</u>	<u>920,257</u>	<u>20.67</u>	<u>21.24</u>
	<u>4,769,420</u>	<u>4,332,102</u>	<u>100.00%</u>	<u>100.00%</u>
Physician Clinic	<u>105,588</u>	<u>592,718</u>		
Total receivables	<u>4,875,008</u>	<u>4,924,820</u>		
Allowances				
Contractual				
Medicare	812,500	733,000		
Medicaid and Blue Cross	354,000	265,500		
Uncollectibles	148,000	112,000		
Physician Clinic	<u>42,000</u>	<u>237,000</u>		
Total allowances	<u>1,356,500</u>	<u>1,347,500</u>		
Totals	<u>\$3,518,508</u>	<u>\$3,577,320</u>		

ANALYSIS OF ALLOWANCE FOR UNCOLLECTIBLES

	<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>
BALANCE , beginning	\$ 112,000	\$ 97,000		
ADD				
Provision for bad debts	1,253,022	918,707	6.74%	5.23%
DEDUCT				
Accounts written off	<u>(1,217,022)</u>	<u>(903,707)</u>	6.55	5.14
BALANCE , ending	<u>\$ 148,000</u>	<u>\$ 112,000</u>		

**Jefferson County Hospital
d/b/a Jefferson County Health Center
INVENTORIES**

	<u>June 30</u>		<u>Increase (decrease)</u>
	<u>2009</u>	<u>2008</u>	
Storeroom	\$ 45,906	\$ 50,000	\$ (4,094)
Pharmacy	77,831	73,877	3,954
Dietary	17,916	20,524	(2,608)
Uniforms and linen	<u>40,592</u>	<u>56,743</u>	<u>(16,151)</u>
Totals	<u>\$ 182,245</u>	<u>\$ 201,144</u>	<u>\$ (18,899)</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
INSURANCE COVERAGE
June 30, 2009**

<u>Insurer</u>	<u>Coverage Type</u>	<u>Effective Dates</u>	<u>Coverage Amount</u>
Chubb	Directors and Officers	July 2008 to July 2009	\$2,000,000
Allied Insurance	Employee Honesty Bond	May 2008 to April 2011	\$50,000/employee
Midwest Medical Insurance	Physician Liability Coverage	January 2009 to January 2010	
	Each claim		\$2,000,000
	Total facility		\$4,000,000
Pro Assurance	Physician Liability Coverage	August 2008 to August 2009	
	Each claim		\$1,000,000
	Aggregate		\$3,000,000
	Excess coverage - each claim		\$1,000,000
	Excess coverage - aggregate		\$1,000,000
MHA Insurance	Hospital General Liability/ Medical Professional Liability	May 2009 to May 2010	
	Each claim		\$1,000,000
	Total facility		\$3,000,000
MHA Insurance	Umbrella Excess Liability	May 2009 to May 2010	
	Each claim		\$7,000,000
	Total facility		\$7,000,000
General Casualty	Business Auto	May 2009 to May 2010	\$1,000,000
General Casualty	Building and Contents	May 2009 to May 2010	\$36,116,000
	Business Interruption		\$7,325,000

The summary of insurance coverage is presented on the basis of information obtained from policies on file at the Hospital.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
PATIENT SERVICE REVENUE**

	Total		Increase (decrease)
	Year ended June 30		
	2009	2008	
DAILY PATIENT SERVICES			
Medical and surgical	\$ 2,030,080	\$ 1,836,976	\$ 193,104
Critical care unit	54,000	54,670	(670)
Swing bed	869,976	820,049	49,927
Long term care	<u>1,272,244</u>	<u>1,547,091</u>	<u>(274,847)</u>
	<u>4,226,300</u>	<u>4,258,786</u>	<u>(32,486)</u>
OTHER NURSING SERVICES			
Operating and recovery rooms	3,263,384	3,421,655	(158,271)
Central supply	237,297	244,145	(6,848)
Emergency services	<u>6,186,916</u>	<u>5,399,395</u>	<u>787,521</u>
	<u>9,687,597</u>	<u>9,065,195</u>	<u>622,402</u>
OTHER PROFESSIONAL SERVICES			
Laboratory and blood bank	3,529,078	3,063,268	465,810
Electrocardiology	454,216	419,086	35,130
Radiology	2,497,115	2,380,267	116,848
CT scans	2,352,329	2,243,112	109,217
Magnetic resonance imaging	1,628,041	1,336,754	291,287
Pharmacy	2,074,213	1,627,219	446,994
Anesthesiology	852,745	737,035	115,710
Respiratory therapy	478,121	516,181	(38,060)
Physical therapy	1,188,919	1,207,040	(18,121)
Speech therapy	48,564	47,400	1,164
Occupational therapy	245,000	227,982	17,018
Medical arts	281,121	302,347	(21,226)
Physician clinic	698,610	867,146	(168,536)
Peasley clinic	533,599	235,982	297,617
Sleep lab	<u>341,880</u>	<u>225,900</u>	<u>115,980</u>
	<u>17,203,551</u>	<u>15,436,719</u>	<u>1,766,832</u>
	31,117,448	28,760,700	2,356,748
Charity care charges foregone, based on established rates	<u>(354,500)</u>	<u>(381,165)</u>	<u>26,665</u>
Total gross patient service revenue	30,762,948	28,379,535	2,383,413
Provisions for contractual and other adjustments	<u>(12,170,859)</u>	<u>(10,808,345)</u>	<u>(1,362,514)</u>
Net patient service revenue	<u>\$18,592,089</u>	<u>\$17,571,190</u>	<u>\$1,020,899</u>

Inpatient			Outpatient		
Year ended June 30		Increase	Year ended June 30		Increase
2009	2008	(decrease)	2009	2008	(decrease)
\$2,030,080	\$1,836,976	\$ 193,104	\$ -	\$ -	\$ -
54,000	54,670	(670)	-	-	-
869,976	820,049	49,927	-	-	-
<u>1,272,244</u>	<u>1,547,091</u>	<u>(274,847)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,226,300</u>	<u>4,258,786</u>	<u>(32,486)</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,032,248	1,015,686	16,562	2,231,136	2,405,969	(174,833)
236,682	239,014	(2,332)	615	5,131	(4,516)
<u>129,130</u>	<u>145,681</u>	<u>(16,551)</u>	<u>6,057,786</u>	<u>5,253,714</u>	<u>804,072</u>
<u>1,398,060</u>	<u>1,400,381</u>	<u>(2,321)</u>	<u>8,289,537</u>	<u>7,664,814</u>	<u>624,723</u>
507,390	469,834	37,556	3,021,688	2,593,434	428,254
25,507	23,101	2,406	428,709	395,985	32,724
175,774	168,875	6,899	2,321,341	2,211,392	109,949
198,034	172,455	25,579	2,154,295	2,070,657	83,638
68,265	77,769	(9,504)	1,559,776	1,258,985	300,791
704,735	664,771	39,964	1,369,478	962,448	407,030
128,310	121,275	7,035	724,435	615,760	108,675
411,535	452,296	(40,761)	66,586	63,885	2,701
362,403	359,985	2,418	826,516	847,055	(20,539)
29,164	25,350	3,814	19,400	22,050	(2,650)
134,620	125,482	9,138	110,380	102,500	7,880
-	-	-	281,121	302,347	(21,226)
-	-	-	698,610	867,146	(168,536)
-	-	-	533,599	235,982	297,617
-	-	-	341,880	225,900	115,980
<u>2,745,737</u>	<u>2,661,193</u>	<u>84,544</u>	<u>14,457,814</u>	<u>12,775,526</u>	<u>1,682,288</u>
<u>\$8,370,097</u>	<u>\$8,320,360</u>	<u>\$ 49,737</u>	<u>\$22,747,351</u>	<u>\$20,440,340</u>	<u>\$2,307,011</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
PROVISIONS FOR CONTRACTUAL AND OTHER ADJUSTMENTS**

	<u>Year ended June 30</u>		<u>Increase (decrease)</u>
	<u>2009</u>	<u>2008</u>	
Contractual adjustments			
Medicare	\$ 6,363,595	\$ 6,121,501	\$ 242,094
Medicaid	1,521,147	1,247,971	273,176
Wellmark	2,025,233	1,631,390	393,843
Provision for bad debts	1,253,022	918,707	334,315
Discounts and other adjustments	<u>1,007,862</u>	<u>888,776</u>	<u>119,086</u>
Totals	<u>\$12,170,859</u>	<u>\$10,808,345</u>	<u>\$1,362,514</u>

OTHER REVENUE

	<u>Year ended June 30</u>		<u>Increase (decrease)</u>
	<u>2009</u>	<u>2008</u>	
Employee and guest meals	\$ 64,059	\$ 155,138	\$ (91,079)
Lifeline	63,884	63,051	833
Specialty clinics rent	34,329	34,891	(562)
Rental income, net	57,331	23,315	34,016
Miscellaneous, net	<u>678,205</u>	<u>313,741</u>	<u>364,464</u>
Totals	<u>\$ 897,808</u>	<u>\$ 590,136</u>	<u>\$ 307,672</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NURSING SERVICE EXPENSES**

	<u>Year ended June 30</u>		<u>Increase (decrease)</u>
	<u>2009</u>	<u>2008</u>	
ADMINISTRATIVE			
Salaries	\$ 163,393	\$ 237,659	\$ (74,266)
Supplies and expense	15,412	29,586	(14,174)
	<u>178,805</u>	<u>267,245</u>	<u>(88,440)</u>
MEDICAL AND SURGICAL AND OBSTETRIC			
Salaries	1,166,632	1,130,846	35,786
Supplies and expense	121,764	101,427	20,337
	<u>1,288,396</u>	<u>1,232,273</u>	<u>56,123</u>
CRITICAL CARE UNIT			
Salaries	16,236	23,536	(7,300)
Supplies and expense	1	69	(68)
	<u>16,237</u>	<u>23,605</u>	<u>(7,368)</u>
LONG TERM CARE			
Salaries	687,992	829,062	(141,070)
Supplies and expense	28,473	43,622	(15,149)
	<u>716,465</u>	<u>872,684</u>	<u>(156,219)</u>
OPERATING AND RECOVERY ROOMS			
Salaries	238,798	231,282	7,516
Supplies and expense	366,035	377,258	(11,223)
	<u>604,833</u>	<u>608,540</u>	<u>(3,707)</u>
CENTRAL SUPPLY			
Salaries	26,934	29,137	(2,203)
Supplies and expense	81,966	95,426	(13,460)
	<u>108,900</u>	<u>124,563</u>	<u>(15,663)</u>
EMERGENCY SERVICES			
Salaries	910,226	833,424	76,802
Professional fees	1,061,317	981,675	79,642
Supplies and expense	143,228	108,616	34,612
	<u>2,114,771</u>	<u>1,923,715</u>	<u>191,056</u>
Totals	<u>\$5,028,407</u>	<u>\$5,052,625</u>	<u>\$ (24,218)</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
OTHER PROFESSIONAL SERVICE EXPENSES**

	<u>Year ended June 30</u>		<u>Increase (decrease)</u>
	<u>2009</u>	<u>2008</u>	
LABORATORY AND BLOOD BANK			
Salaries	\$ 407,403	\$ 376,805	\$ 30,598
Professional fees	153,333	130,778	22,555
Supplies and expense	<u>337,895</u>	<u>280,202</u>	<u>57,693</u>
	<u>898,631</u>	<u>787,785</u>	<u>110,846</u>
ELECTROCARDIOLOGY			
Salaries	55,036	54,769	267
Professional fees	4,032	5,184	(1,152)
Supplies and expense	<u>19,273</u>	<u>20,685</u>	<u>(1,412)</u>
	<u>78,341</u>	<u>80,638</u>	<u>(2,297)</u>
RADIOLOGY			
Salaries	456,898	438,631	18,267
Professional fees	184,575	174,009	10,566
Supplies and expense	<u>447,028</u>	<u>240,658</u>	<u>206,370</u>
	<u>1,088,501</u>	<u>853,298</u>	<u>235,203</u>
CT SCANS			
Supplies and expense	<u>128,276</u>	<u>102,690</u>	<u>25,586</u>
MAGNETIC RESONANCE IMAGING			
Professional fees	367,350	324,950	42,400
Supplies and expenses	<u>10,554</u>	<u>10,484</u>	<u>70</u>
	<u>377,904</u>	<u>335,434</u>	<u>42,470</u>
PHARMACY			
Salaries	147,130	146,314	816
Professional fees	10,250	7,500	2,750
Drugs	610,180	450,058	160,122
Supplies and expense	<u>24,000</u>	<u>25,803</u>	<u>(1,803)</u>
	<u>791,560</u>	<u>629,675</u>	<u>161,885</u>
ANESTHESIOLOGY			
Professional fees	490,900	452,859	38,041
Supplies and expense	<u>22,677</u>	<u>22,178</u>	<u>499</u>
	<u>513,577</u>	<u>475,037</u>	<u>38,540</u>
RESPIRATORY THERAPY			
Salaries	33,355	33,301	54
Oxygen	18,611	15,243	3,368
Supplies and expense	<u>5,708</u>	<u>8,046</u>	<u>(2,338)</u>
	<u>57,674</u>	<u>56,590</u>	<u>1,084</u>
PHYSICAL THERAPY			
Salaries	20,481	19,585	896
Professional fees	562,776	532,893	29,883
Supplies and expense	<u>22,485</u>	<u>19,569</u>	<u>2,916</u>
	<u>605,742</u>	<u>572,047</u>	<u>33,695</u>
SPEECH THERAPY			
Professional fees	<u>16,165</u>	<u>35,072</u>	<u>(18,907)</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
OTHER PROFESSIONAL SERVICE EXPENSES (continued)**

	<u>Year ended June 30</u>		<u>Increase (decrease)</u>
	<u>2009</u>	<u>2008</u>	
OCCUPATIONAL THERAPY			
Professional fees	\$ 111,416	\$ 94,237	\$ 17,179
Supplies and expense	<u>2,314</u>	<u>1,899</u>	<u>415</u>
	<u>113,730</u>	<u>96,136</u>	<u>17,594</u>
PHYSICIANS CLINIC			
Salaries	805,090	501,926	303,164
Supplies and expense	<u>31,844</u>	<u>66,323</u>	<u>(34,479)</u>
	<u>836,934</u>	<u>568,249</u>	<u>268,685</u>
PEASLEY CLINIC			
Supplies and expense	<u>122,959</u>	<u>69,001</u>	<u>53,958</u>
MEDICAL RECORDS			
Salaries	246,916	230,608	16,308
Supplies and expense	<u>118,512</u>	<u>122,413</u>	<u>(3,901)</u>
	<u>365,428</u>	<u>353,021</u>	<u>12,407</u>
QUALITY ASSURANCE			
Salaries	185,197	176,706	8,491
Supplies and expense	<u>15,023</u>	<u>23,633</u>	<u>(8,610)</u>
	<u>200,220</u>	<u>200,339</u>	<u>(119)</u>
MEDICAL ARTS			
Salaries	359,779	171,987	187,792
Supplies and expense	<u>693,445</u>	<u>261,388</u>	<u>432,057</u>
	<u>1,053,224</u>	<u>433,375</u>	<u>619,849</u>
SLEEP LAB			
Salaries	16,534	14,783	1,751
Supplies and expense	<u>118,802</u>	<u>71,287</u>	<u>47,515</u>
	<u>135,336</u>	<u>86,070</u>	<u>49,266</u>
DIALYSIS			
Salaries	1,539	-	1,539
Supplies and expense	<u>7,590</u>	<u>-</u>	<u>7,590</u>
	<u>9,129</u>	<u>-</u>	<u>9,129</u>
Totals	<u>\$7,393,331</u>	<u>\$5,734,457</u>	<u>\$1,658,874</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
GENERAL SERVICE EXPENSES**

	<u>Year ended June 30</u>		<u>Increase (decrease)</u>
	<u>2009</u>	<u>2008</u>	
DIETARY			
Salaries	\$ 406,992	\$ 466,379	\$ (59,387)
Food	215,746	277,503	(61,757)
Supplies and expense	<u>72,940</u>	<u>66,398</u>	<u>6,542</u>
	<u>695,678</u>	<u>810,280</u>	<u>(114,602)</u>
PLANT OPERATION AND MAINTENANCE			
Salaries	357,360	343,308	14,052
Utilities	428,867	398,679	30,188
Supplies and expense	<u>120,557</u>	<u>140,169</u>	<u>(19,612)</u>
	<u>906,784</u>	<u>882,156</u>	<u>24,628</u>
BIO MEDICAL			
Salaries	71,660	70,830	830
Supplies and expense	<u>8,765</u>	<u>1,008</u>	<u>7,757</u>
	<u>80,425</u>	<u>71,838</u>	<u>8,587</u>
HOUSEKEEPING			
Salaries	360,642	337,468	23,174
Supplies and expense	<u>67,187</u>	<u>44,389</u>	<u>22,798</u>
	<u>427,829</u>	<u>381,857</u>	<u>45,972</u>
LAUNDRY AND LINEN			
Salaries	87,043	82,659	4,384
Supplies and expense	<u>43,384</u>	<u>30,321</u>	<u>13,063</u>
	<u>130,427</u>	<u>112,980</u>	<u>17,447</u>
Totals	<u>\$2,241,143</u>	<u>\$2,259,111</u>	<u>\$ (17,968)</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
FISCAL AND ADMINISTRATIVE SERVICE
AND UNASSIGNED EXPENSES**

	<u>Year ended June 30</u>		<u>Increase</u>
	<u>2009</u>	<u>2008</u>	<u>(decrease)</u>
FISCAL AND ADMINISTRATIVE SERVICE			
Salaries			
Administrative	\$ 256,576	\$ 174,345	\$ 82,231
Fiscal and accounting	491,673	501,605	(9,932)
Purchasing and stores	59,696	51,512	8,184
Public relations	55,118	49,027	6,091
Data processing	107,533	102,142	5,391
Human resources	93,178	87,285	5,893
Data processing expense	270,254	223,953	46,301
Human resources supplies and expenses	35,056	134,737	(99,681)
Professional fees	67,639	51,798	15,841
Office supplies and expenses	322,274	319,144	3,130
Telephone	53,034	49,330	3,704
Collection fees	46,141	44,224	1,917
Purchasing and stores expense	28,513	22,810	5,703
Public relations expense	16,759	7,192	9,567
UNASSIGNED EXPENSES			
Physician recruiting	38,444	87,074	(48,630)
Insurance	191,351	134,727	56,624
Employee benefits			
FICA	574,793	554,193	20,600
IPERS	519,667	466,337	53,330
Group health insurance	665,256	769,217	(103,961)
Group disability insurance	37,854	36,065	1,789
Workers' compensation	131,258	132,779	(1,521)
Unemployment compensation	5,532	31,311	(25,779)
Other employee benefits	<u>14,318</u>	<u>15,217</u>	<u>(899)</u>
Totals	<u>\$4,081,917</u>	<u>\$4,046,024</u>	<u>\$ 35,893</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
COMPARATIVE REVENUES AND EXPENSES**

	Year ended June 30			
	2009	2008	2007	2006
NET PATIENT SERVICE REVENUE	\$18,592,089	\$17,571,190	\$17,528,535	\$16,849,593
OTHER REVENUE	<u>897,808</u>	<u>590,136</u>	<u>318,349</u>	<u>515,809</u>
Total revenue	<u>19,489,897</u>	<u>18,161,326</u>	<u>17,846,884</u>	<u>17,365,402</u>
EXPENSES				
Salaries	8,293,040	7,746,921	7,219,967	7,081,055
Supplies, professional fees and other expenses	10,451,758	9,345,296	8,963,168	8,878,550
Provision for depreciation	<u>1,812,662</u>	<u>1,172,543</u>	<u>1,215,946</u>	<u>1,238,209</u>
Total expenses	<u>20,557,460</u>	<u>18,264,760</u>	<u>17,399,081</u>	<u>17,197,814</u>
Operating income (loss)	<u>(1,067,563)</u>	<u>(103,434)</u>	<u>447,803</u>	<u>167,588</u>
NONOPERATING GAINS (LOSSES)				
County taxes	794,472	760,985	771,104	771,527
Investment income and equity in net income (losses) of joint venture investments	206,004	277,356	436,420	246,082
Unrestricted contributions	-	107	-	29,468
Interest expense	(536,361)	(28,157)	(93,854)	(105,657)
Gain (loss) on sale of property and equipment	<u>7,342</u>	<u>42,709</u>	<u>50,876</u>	<u>(8,584)</u>
Total nonoperating gains (losses)	<u>471,457</u>	<u>1,053,000</u>	<u>1,164,546</u>	<u>932,836</u>
Excess (deficiency) of revenues over expenses before contributions	(596,106)	949,566	1,612,349	1,100,424
CONTRIBUTIONS	<u>268,039</u>	<u>213,922</u>	<u>5,864</u>	<u>15,574</u>
Change in fund equity	<u>\$ (328,067)</u>	<u>\$ 1,163,488</u>	<u>\$ 1,618,213</u>	<u>\$ 1,115,998</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
COMPARATIVE STATISTICS**

	Year ended June 30	
	<u>2009</u>	<u>2008</u>
PATIENT DAYS		
Adult and pediatric	<u>1,900</u>	<u>1,881</u>
Swing bed		
Skilled nursing care	<u>1,775</u>	<u>1,838</u>
Long term care	<u>10,321</u>	<u>13,091</u>
Total patient days	<u>13,996</u>	<u>16,810</u>
ADMISSIONS		
Adult and pediatric	540	530
Swing bed	210	239
Long term care	<u>12</u>	<u>12</u>
Total admissions	<u>762</u>	<u>781</u>
DISCHARGES		
Adult and pediatric	537	534
Swing bed	205	244
Long term care	<u>48</u>	<u>11</u>
Total discharges	<u>790</u>	<u>789</u>
AVERAGE LENGTH OF STAY		
Adult and pediatric	3.54	3.52
Swing bed	8.66	7.53
BEDS		
Adult and pediatric	25	25
Long term care (Through April 2009)	36	36
OCCUPANCY PERCENT		
Adult and pediatric	20.82%	20.56%
Swing bed	19.45%	20.09%
Long term care (Through April 2009)	94.31%	99.36%
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	\$50,937	\$48,009
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES AT END OF YEAR	69	75

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

To the Board of Trustees
Jefferson County Hospital
d/b/a Jefferson County Health Center
Fairfield, Iowa

We have audited the financial statements of Jefferson County Hospital d/b/a Jefferson County Health Center as of and for the year ended June 30, 2009, and have issued our report thereon dated November 18, 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 Jefferson County Hospital'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 Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity'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 weakness, as defined above.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Hospital'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 Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. 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 Jefferson County and other parties to whom the Hospital 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
November 18, 2009

**Jefferson County Hospital
d/b/a Jefferson County 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.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
SCHEDULE OF FINDINGS
Year ended June 30, 2009**

Part II—Findings Related to Required Statutory Reporting

09-II-A CERTIFIED BUDGET

Comment

Based on a comparison of actual operating expenses with budget basis expenditures, it appears the Hospital exceeded its budget for the year ended June 30, 2009.

Recommendation

Should this occur in the future, we recommend the budget be amended.

Response

In the future, we will amend the budget, as necessary.

Conclusion

Response accepted.

09-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Hospital funds were noted.

09-II-C TRAVEL EXPENSES

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

09-II-D BUSINESS TRANSACTIONS

No business transactions were found between the Hospital and Hospital 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 Hospital's investment policy.