

**Keokuk County Health Center
Sigourney, Iowa**

FINANCIAL REPORT

June 30, 2009

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**Keokuk County Health Center
OFFICIALS
June 30, 2009**

BOARD OF TRUSTEES

Officers

Tony Latcham, Chair
Brian Horras, Secretary
Frank Mertz, Treasurer

Expiration of term

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

Members

Elayne Campbell
Loretta Hudson
Cheryl Monroe
Jan Parcell

December 31, 2014
December 31, 2012
December 31, 2014
December 31, 2012

CHIEF EXECUTIVE OFFICER

Ray Brownsworth

CHIEF FINANCIAL OFFICER

Matt Ives

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Keokuk County Health Center
Sigourney, Iowa

We have audited the accompanying balance sheets of Keokuk 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 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 Keokuk County 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 our report dated July 31, 2009 on our consideration of Keokuk County 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 5-10 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
July 31, 2009

**Keokuk County Health Center
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Keokuk County 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 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 \$586,401 to \$14,716,618
- Total noncurrent assets whose use is limited increased by \$569,973 to \$2,470,738
- Total property and equipment decreased by \$195,260 to \$8,978,039
- Total fund equity increased by \$258,702 to \$3,102,477
- Total long-term debt increased to \$9,987,022
- Net patient service revenue increased by \$301,686, or 6%, primarily due to a combination of an increase in certain ancillary services and continuing increased reimbursement under Critical Access Hospital status
- Expenses increased by \$333,048, or 6%, to \$5,950,298

Financial Analysis of the Health Center

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

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

Table 1
Condensed Balance Sheets

	June 30		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 2,081,041	\$ 1,912,753	\$ 3,271,126
Assets whose use is limited	2,470,738	1,900,765	549,057
Property and equipment	8,978,039	9,173,299	9,406,202
Other assets	<u>1,186,800</u>	<u>1,143,400</u>	<u>960,000</u>
 Total assets	 <u>\$14,716,618</u>	 <u>\$14,130,217</u>	 <u>\$14,186,385</u>
Current liabilities	\$ 880,055	\$ 593,242	\$ 954,204
Long-term debt, less current maturities	9,694,086	9,733,200	9,715,000
Other noncurrent liabilities	<u>1,040,000</u>	<u>960,000</u>	<u>740,000</u>
 Total liabilities	 <u>\$11,614,141</u>	 <u>\$11,286,442</u>	 <u>\$11,409,204</u>
Invested in capital assets, net of related debt	\$ 133,737	\$ 88,997	\$ 446,900
Restricted	57,805	57,576	56,859
Unrestricted	<u>2,910,935</u>	<u>2,697,202</u>	<u>2,273,422</u>
 Total fund equity	 <u>\$ 3,102,477</u>	 <u>\$ 2,843,775</u>	 <u>\$ 2,777,181</u>

As depicted in Table 1, total assets increased in fiscal year 2009 to \$14,716,618.

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

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

	Year ended June 30		
	2009	2008	2007
Net patient service revenue	\$5,572,314	\$5,270,628	\$4,509,069
Other revenue	<u>192,792</u>	<u>179,918</u>	<u>171,821</u>
Total revenue	<u>5,765,106</u>	<u>5,450,546</u>	<u>4,680,890</u>
Salaries	2,661,048	2,455,289	2,179,185
Supplies and expenses	2,604,220	2,487,353	2,313,731
Provision for depreciation	<u>685,030</u>	<u>674,608</u>	<u>320,595</u>
Total expenses	<u>5,950,298</u>	<u>5,617,250</u>	<u>4,813,511</u>
Operating (loss)	<u>(185,192)</u>	<u>(166,704)</u>	<u>(132,621)</u>
County taxes	963,664	761,859	718,980
Investment income	47,960	37,710	2,724
Unrestricted contributions	1,515	940	4,435
Interest and amortization expense	<u>(569,245)</u>	<u>(567,211)</u>	<u>(187,776)</u>
Total nonoperating gains (losses)	<u>443,894</u>	<u>233,298</u>	<u>538,363</u>
Change in fund equity	258,702	66,594	405,742
Total fund equity, beginning	<u>2,843,775</u>	<u>2,777,181</u>	<u>2,371,439</u>
Total fund equity, ending	<u>\$3,102,477</u>	<u>\$2,843,775</u>	<u>\$2,777,181</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: Acute discharges for fiscal year 2009 were 82 compared to 98 in fiscal year 2008. Average length of stay remained the same each year as patient days decreased to 236 from 282 in 2008. Swing bed, skilled care discharges for fiscal year 2009 were 47 compared to 53 in fiscal year 2008. Average length of stay increased as patient days increased to 782 from 566 in 2008. Volume on the outpatient side increased in 2009. In 2009, gross outpatient charges increased to \$3,754,257 compared to \$3,422,456 in 2008.

Price Increase: As is customary, the Health Center annually reviews its charge structure and incorporated certain price increases. Overall, gross patient service revenue increased to \$4,905,784 from \$4,484,832 in 2008. The Health Center departments experiencing the most significant increases in 2009 were emergency service and physical therapy.

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. As a result of this continuing designation, contractual adjustments and bad debts increased to \$(666,530) in 2009 compared to \$(785,796) in 2008. This represents an additional 14% and 18% reimbursement over standard gross patient charges for the years ended June 30, 2009 and 2008, respectively.

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	52%	52%	58%
Medicaid	10	9	6
Commercial insurance	22	20	20
Patients	<u>16</u>	<u>19</u>	<u>16</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue increased to \$192,792 in 2009 compared to \$179,918 in 2008.

Expenses

Approximately 45% of Health Center's expenses are for salaries. Total salaries increased by 8% to \$2,661,048 in 2009 from \$2,455,289 in 2008. The Health Center department experiencing the most significant increase in 2009 was adult and pediatric.

Approximately 45% of Health Center's expenses are for supplies and expenses. Total supplies and expenses increased by 5% to \$2,604,220 in 2009 from \$2,487,353 in 2008. The most significant increases in 2009 related to clinic and group health and life insurance.

Approximately 10% of Health Center's expenses relate to provision for depreciation. The provision for depreciation increased to \$685,030 in 2009 from \$674,608 in 2008.

Nonoperating Gains (Losses)

Nonoperating gains (losses) increased to \$443,894 from \$233,298 in 2008, primarily due to increased county taxes.

Property and Equipment

At the end of 2009, the Health Center had \$8,978,039 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, \$489,770 was spent to acquire new equipment and finalize the Health Center's construction project, consisting of a replacement health center adjoining the existing facility.

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

**Table 4
Property and Equipment**

	June 30		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land	\$ 6,500	\$ 6,500	\$ 6,500
Land improvements	724,691	724,691	746,660
Building	2,743,339	2,751,619	2,751,619
Fixed equipment	5,678,580	5,676,647	5,579,754
Major movable equipment	<u>2,050,993</u>	<u>1,772,594</u>	<u>1,562,473</u>
Subtotal	11,204,103	10,932,051	10,647,006
Less accumulated depreciation	<u>2,226,064</u>	<u>1,758,752</u>	<u>1,240,804</u>
Property and equipment	<u>\$ 8,978,039</u>	<u>\$ 9,173,299</u>	<u>\$ 9,406,202</u>

Debt Administration

At year end, the Health Center had \$9,987,022 in current and long-term debt related to Hospital Revenue Bonds, Series 2005, and notes payable, equipment. This increased by \$23,622 in fiscal year 2009. More detailed information about the Health Center's long-term debt is presented in the notes to financial statements. Note that the Bonds and the notes payable represent approximately 85% of the Health Center's total liabilities as of year end.

Performance Compared to County Hospital Budget

The Health Center prepares its annual County Hospital budget on a basis, budget basis, which differs from generally accepted accounting principles, GAAP basis. More detailed information as to major differences between County Hospital budget and GAAP bases are presented in the notes to financial statements. A comparison of the Health Center's fiscal year 2009 actual budget basis financial information to its annual County Hospital budget is presented in Table 5.

**Table 5
Actual vs County Hospital Budget**

	<u>Actual budget basis</u>	<u>Annual County Hospital budget</u>	<u>Variance</u>
Amount to be raised by taxation	\$1,030,847	\$ 990,995	\$ 39,852
Other revenues/receipts	<u>6,094,581</u>	<u>5,556,242</u>	<u>538,339</u>
	7,125,428	6,547,237	578,191
Expenses/expenditures	<u>6,647,844</u>	<u>6,130,619</u>	<u>517,225</u>
Net	<u>\$ 477,584</u>	<u>\$ 416,618</u>	<u>\$ 60,966</u>

Actual other revenues/receipts results were higher than County Hospital budget primarily due to proceeds from issuance of long-term debt. Expenses/expenditures were more than County Hospital budget primarily due to a combination of final costs incurred relating to the Health Center's construction project and acquisition of new equipment.

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 Keokuk County Health Center at (641) 622-2720 or write care of: Chief Financial Officer, Keokuk County Health Center, 23019 Highway 149, Sigourney, Iowa 52591.

**Keokuk County Health Center
BALANCE SHEETS**

ASSETS	June 30	
	2009	2008
CURRENT ASSETS		
Cash	\$ 129,965	\$ 175,396
Assets whose use is limited, required for current liabilities	227,400	217,900
Patient receivables, less allowances for contractual adjustments and bad debts	1,540,542	1,043,487
Other receivables	25,538	14,543
Estimated third-party payor settlements	-	340,000
Inventories	110,491	103,544
Prepaid expenses	47,105	17,883
Total current assets	<u>2,081,041</u>	<u>1,912,753</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Cash	934,280	1,365,391
Certificates of deposit	1,010,355	-
Restricted for payment of long-term debt and interest		
Cash	-	29,731
Certificates of deposit	753,503	723,543
Total assets whose use is limited	<u>2,698,138</u>	<u>2,118,665</u>
Less assets whose use is limited and that are required for current liabilities	<u>227,400</u>	<u>217,900</u>
Non current assets whose use is limited	<u>2,470,738</u>	<u>1,900,765</u>
PROPERTY AND EQUIPMENT		
	11,204,103	10,932,051
Less accumulated depreciation	<u>2,226,064</u>	<u>1,758,752</u>
Total property and equipment	<u>8,978,039</u>	<u>9,173,299</u>
OTHER ASSETS		
Unamortized financing costs	146,800	183,400
Succeeding year property tax receivable	<u>1,040,000</u>	<u>960,000</u>
Total other assets	<u>1,186,800</u>	<u>1,143,400</u>
 Totals	 <u>\$14,716,618</u>	 <u>\$14,130,217</u>

	LIABILITIES AND FUND EQUITY	
	June 30	
	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 292,936	\$ 230,200
Accounts payable	289,876	140,839
Accrued employee compensation	228,164	169,948
Payroll taxes and amounts withheld from employees	26,679	9,355
Accrued interest	42,400	42,900
Total current liabilities	<u>880,055</u>	<u>593,242</u>
LONG-TERM DEBT , less current maturities	<u>9,694,086</u>	<u>9,733,200</u>
DEFERRED REVENUE FOR SUCCEEDING YEAR		
PROPERTY TAX RECEIVABLE	<u>1,040,000</u>	<u>960,000</u>
FUND EQUITY		
Invested in capital assets, net of related debt	133,737	88,997
Restricted	57,805	57,576
Unrestricted	<u>2,910,935</u>	<u>2,697,202</u>
Total fund equity	<u>3,102,477</u>	<u>2,843,775</u>
Totals	<u>\$14,716,618</u>	<u>\$14,130,217</u>

Keokuk 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 \$430,613; 2008 \$385,887	\$5,572,314	\$5,270,628
OTHER REVENUE	<u>192,792</u>	<u>179,918</u>
Total revenue	<u>5,765,106</u>	<u>5,450,546</u>
EXPENSES		
Nursing service	1,994,193	1,915,634
Other professional service	1,195,908	1,046,607
General service	549,852	538,858
Fiscal and administrative service and unassigned expenses	1,525,315	1,441,543
Provision for depreciation	<u>685,030</u>	<u>674,608</u>
Total expenses	<u>5,950,298</u>	<u>5,617,250</u>
Operating (loss)	<u>(185,192)</u>	<u>(166,704)</u>
NONOPERATING GAINS (LOSSES)		
County taxes	963,664	761,859
Investment income	47,960	37,710
Unrestricted contributions	1,515	940
Interest and amortization expense	<u>(569,245)</u>	<u>(567,211)</u>
Total nonoperating gains (losses)	<u>443,894</u>	<u>233,298</u>
Change in fund equity	258,702	66,594
TOTAL FUND EQUITY		
Beginning	<u>2,843,775</u>	<u>2,777,181</u>
Ending	<u>\$3,102,477</u>	<u>\$2,843,775</u>

See Notes to Financial Statements.

**Keokuk 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	\$5,415,259	\$6,074,686
Cash paid to suppliers for goods and services	(2,485,023)	(2,462,918)
Cash paid to employees for services	(2,602,832)	(2,440,590)
Other operating revenue received	<u>192,792</u>	<u>184,089</u>
Net cash provided by operating activities	<u>520,196</u>	<u>1,355,267</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes	963,664	761,859
Contributions received	<u>1,515</u>	<u>940</u>
Net cash provided by noncapital financing activities	<u>965,179</u>	<u>762,799</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	280,000	276,000
Acquisition of property and equipment	(489,770)	(870,647)
Principal payments on long-term debt	(256,378)	(187,600)
Interest paid on long-term debt	<u>(533,145)</u>	<u>(531,211)</u>
Net cash (used in) capital and related financing activities	<u>(999,293)</u>	<u>(1,313,458)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	47,960	37,710
Purchase of certificates of deposit	<u>(1,040,315)</u>	<u>(23,543)</u>
Net cash provided by (used in) investing activities	<u>(992,355)</u>	<u>14,167</u>
NET INCREASE (DECREASE) IN CASH	(506,273)	818,775
CASH		
Beginning	<u>1,570,518</u>	<u>751,743</u>
Ending	<u>\$1,064,245</u>	<u>\$1,570,518</u>

See Notes to Financial Statements.

**Keokuk County Health Center
STATEMENTS OF CASH FLOWS (continued)**

	Year ended June 30	
	2009	2008
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES		
Operating (loss)	\$ (185,192)	\$ (166,704)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities		
Depreciation	685,030	674,608
Changes in assets and liabilities		
(Increase) decrease in patient receivables	(497,055)	848,229
(Increase) in other receivables	(10,995)	(1,044)
(Increase) decrease in estimated third-party payor settlements	340,000	(40,000)
(Increase) in inventories	(6,947)	(9,843)
(Increase) decrease in prepaid expenses	(29,222)	51,641
Increase (decrease) in accounts payable	149,037	(15,678)
Increase in accrued employee compensation	58,216	14,699
Increase (decrease) in payroll taxes and amounts withheld from employees	<u>17,324</u>	<u>(641)</u>
Net cash provided by operating activities	<u>\$ 520,196</u>	<u>\$1,355,267</u>
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Per balance sheet		
Current assets, cash	\$ 129,965	\$ 175,396
Assets whose use is limited		
Designated by board for plant replacement and expansion	934,280	1,365,391
Restricted for payment of long-term debt and interest, cash	<u>—</u>	<u>29,731</u>
Total per statement of cash flows	<u>\$1,064,245</u>	<u>\$1,570,518</u>

Keokuk County 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 Keokuk County, Iowa. The Health Center is governed by an elected Board of Trustees.

Reporting Entity

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

Measurement Focus and Basis of Accounting

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

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

Accounting Standards

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

Inventories

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

Property and Equipment

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

Unamortized Financing Costs

Unamortized financing costs are amortized over the life of the issue, using the straight-line method.

**Keokuk County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Tax Receivable

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of 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 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.

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.

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.

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.

**Keokuk County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues, Expenses, and Changes in Fund Equity

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

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.

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	\$ 797,084	\$ 441,318
Medicaid	222,053	142,652
Commercial insurance	330,207	164,290
Patients	<u>331,198</u>	<u>315,227</u>
Total patient receivables	1,680,542	1,063,487
Less allowances for contractual adjustments and bad debts	<u>(140,000)</u>	<u>(20,000)</u>
Net patient receivables	<u>\$1,540,542</u>	<u>\$1,043,487</u>

**Keokuk County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 ASSETS WHOSE USE IS LIMITED

Assets whose use is limited restricted for payment of long-term debt and interest are as follows for the year ended June 30, 2009:

	<u>Sinking Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
BALANCE , beginning of year	\$ 57,576	\$ 695,698	\$ 753,274
Transfer from current assets, cash	691,144	-	691,144
Principal and interest payments	<u>(690,915)</u>	<u>-</u>	<u>(690,915)</u>
BALANCE , end of year	<u>\$ 57,805</u>	<u>\$ 695,698</u>	<u>\$ 753,503</u>

NOTE 5 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	\$ 6,500	\$ -	\$ 6,500	\$ -
Land improvements	724,691	131,144	724,691	80,244
Building	2,743,339	536,829	2,751,619	471,984
Fixed equipment	5,678,580	884,971	5,676,647	639,758
Major movable equipment	<u>2,050,993</u>	<u>673,120</u>	<u>1,772,594</u>	<u>566,766</u>
Totals	<u>\$11,204,103</u>	<u>\$2,226,064</u>	<u>\$10,932,051</u>	<u>\$1,758,752</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	\$ 6,500	\$ -	\$ -	\$ 6,500
Land improvements	724,691	-	-	724,691
Building	2,751,619	-	8,280	2,743,339
Fixed equipment	5,676,647	86,236	84,303	5,678,580
Major movable equipment	<u>1,772,594</u>	<u>403,534</u>	<u>125,135</u>	<u>2,050,993</u>
Totals	10,932,051	489,770	217,718	11,204,103
Less accumulated depreciation	<u>(1,758,752)</u>	<u>(685,030)</u>	<u>(217,718)</u>	<u>(2,226,064)</u>
Net property and equipment	<u>\$ 9,173,299</u>	<u>\$ (195,260)</u>	<u>\$ -</u>	<u>\$ 8,978,039</u>

**Keokuk County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 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	\$ 6,500	\$ -	\$ -	\$ 6,500
Land improvements	746,660	-	21,969	724,691
Building	2,751,619	-	-	2,751,619
Fixed equipment	5,579,754	107,748	10,855	5,676,647
Major movable equipment	<u>1,562,473</u>	<u>333,957</u>	<u>123,836</u>	<u>1,772,594</u>
Totals	10,647,006	441,705	156,660	10,932,051
Less accumulated depreciation	<u>(1,240,804)</u>	<u>(674,608)</u>	<u>(156,660)</u>	<u>(1,758,752)</u>
Net property and equipment	<u>\$ 9,406,202</u>	<u>\$ (232,903)</u>	<u>\$ -</u>	<u>\$ 9,173,299</u>

NOTE 6 LONG-TERM DEBT

Long-term debt is summarized as follows:

	<u>Year ended June 30</u>	
	<u>2009</u>	<u>2008</u>
Hospital Revenue Bonds, Series 2005	\$9,540,000	\$9,715,000
Notes payable, equipment	<u>447,022</u>	<u>248,400</u>
Total	9,987,022	9,963,400
Less current maturities	<u>292,936</u>	<u>230,200</u>
Long-term debt, net of current maturities	<u>\$9,694,086</u>	<u>\$9,733,200</u>

Hospital Revenue Bonds, Series 2005

The Health Center has issued Hospital Revenue Bonds, Series 2005 in the original amount of \$10,000,000. The Bonds are payable solely from future revenues of the Health Center and are due serially each June 1 through 2020, at remaining interest rates ranging from 4.3% to 5.5%. At June 30, 2009, the remaining balance on these Bonds is \$9,540,000.

The Hospital Revenue Bonds, Series 2005 require certain funds be maintained as follows:

A Reserve Fund in an amount to the maximum annual amount of principal and interest due on all parity obligations in any succeeding fiscal year, \$695,698.

A Sinking Fund requiring monthly deposits in an amount equal to 1/6 of the next semiannual interest payment and 1/12 of the next annual principal payment. Deposits are to be made from the general funds of the Health Center. Future funding requirements of the Sinking Fund for the next five years total 2010 \$693,653; 2011 \$695,698; 2012 \$692,020; 2013 \$692,820; 2014 \$692,845.

The amounts set aside as assets whose use is limited for payment of long-term debt and interest meet the requirements of the Bonds at June 30, 2009.

The Bonds contain a number of covenants regarding the operation of the Health Center, and the Health Center is in substantial compliance with those covenants.

**Keokuk County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 LONG-TERM DEBT (continued)

As to the above Bonds, Series 2005, the Health Center has pledged all future revenues, net of certain operating expenses, to repay the principal and interest. The Bonds were issued to finance capital improvements of the Health Center. The net revenues are pledged through June, 2020. As of June 30, 2009 the remaining principal and interest on the Series 2005 Bonds was \$14,396,386. The following is a comparison of the pledged net revenues and the principal and interest requirements of the Bonds for the years ended June 30, 2009 and 2008:

	Year ended June 30	
	2009	2008
Change in fund equity	\$ 258,702	\$ 66,594
Provision for depreciation	685,030	674,608
Interest expense on the Bonds	515,415	521,715
 Pledged net revenues	 \$1,459,147	 \$1,262,917
 Principal and interest requirements		
Hospital Revenue Bonds, Series 2005	\$ 690,915	\$ 682,315

Note Payable, Equipment

The Health Center has a note agreement to finance the purchase of certain equipment. The note requires semiannual principal payments of \$27,600, plus interest at 5.25%, with the final payment due August, 2012. The note is payable solely from future revenues of the Health Center. At June 30, 2009, the remaining balance on the note is \$193,200.

The Health Center has a second note agreement to finance the purchase of certain equipment. The note requires semiannual payments of \$31,061, including interest at 3.9%, with the final payment due August, 2013. The note is collateralized by the equipment purchased by the Health Center. At June 30, 2009, the remaining balance on this note is \$253,822.

Maturities required on long-term debt are as follows:

Year ending June 30	Revenue bonds	Notes payable	Total principal	Interest	Total
2010	\$ 185,000	\$ 107,936	\$ 292,936	\$ 527,453	\$ 820,389
2011	195,000	110,012	305,012	514,523	819,535
2012	200,000	112,171	312,171	500,789	812,960
2013	210,000	86,814	296,814	486,451	783,265
2014	220,000	30,089	250,089	473,430	723,519
2015-2019	4,665,000	-	4,665,000	2,186,775	6,851,775
2020	3,865,000	-	3,865,000	212,575	4,077,575
Total	9,540,000	447,022	9,987,022	4,901,996	14,889,018
Less current maturities	185,000	107,936	292,936	527,453	820,389
 Total long-term debt	 \$9,355,000	 \$ 339,086	 \$9,694,086	 \$4,374,543	 \$14,068,629

**Keokuk County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 LONG-TERM DEBT (continued)

Note Payable, Equipment (continued)

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>Amount due within one year</u>
Hospital Revenue Bonds, Series 2005	\$9,715,000	\$ -	\$ 175,000	\$9,540,000	\$ 185,000
Notes payable, equipment	<u>248,400</u>	<u>280,000</u>	<u>81,378</u>	<u>447,022</u>	<u>107,936</u>
Totals	<u>\$9,963,400</u>	<u>\$ 280,000</u>	<u>\$ 256,378</u>	<u>\$9,987,022</u>	<u>\$ 292,936</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>Amount due within one year</u>
Hospital Revenue Bonds, Series 2005	\$9,875,000	\$ -	\$ 160,000	\$9,715,000	\$ 175,000
Note payable, equipment	<u>-</u>	<u>276,000</u>	<u>27,600</u>	<u>248,400</u>	<u>55,200</u>
Totals	<u>\$9,875,000</u>	<u>\$ 276,000</u>	<u>\$ 187,600</u>	<u>\$9,963,400</u>	<u>\$ 230,200</u>

NOTE 7 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 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.

**Keokuk County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 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.

	2009	2008
Charges foregone, based on established rates	\$ <u>27,625</u>	\$ <u>32,314</u>
Equivalent percentage of charity care patients to all patients served	<u>.6%</u>	<u>.7%</u>

NOTE 9 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 10 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 was 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 \$168,977, \$142,098 and \$125,303, respectively, equal to the required contributions for each year.

NOTE 11 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the Board of Trustees annually adopts a County Hospital budget following required public notice and hearings for all funds. 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 basis, budget basis, which differs from generally accepted accounting principles, GAAP basis. The major differences between County Hospital budget and GAAP bases are that depreciation is not reported as an expenditure on the County Hospital budget basis capital expenditures and debt service proceeds and payments are recorded on the County Hospital budget basis.

**Keokuk County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING

For the year ended June 30, 2009, the following is a comparison of reported amounts to the County Hospital budget:

	<u>GAAP basis</u> <u>General</u> <u>funds</u>	<u>Budget</u> <u>basis</u> <u>adjustments</u>	<u>Budget</u> <u>basis</u>	<u>County</u> <u>Hospital</u> <u>Budget</u>
Amount to be raised by taxation	\$ 963,664	\$ 67,183	\$1,030,847	\$ 990,995
Other revenues/receipts	<u>5,245,336</u>	<u>849,245</u>	<u>6,094,581</u>	<u>5,556,242</u>
	6,209,000	916,428	7,125,428	6,547,237
Expenses/expenditures	<u>5,950,298</u>	<u>697,546</u>	<u>6,647,844</u>	<u>6,130,619</u>
Net	258,702	218,882	477,584	416,618
Balance, beginning	<u>2,843,775</u>	<u>643,301</u>	<u>3,487,076</u>	<u>3,371,492</u>
Balance, ending	<u>\$3,102,477</u>	<u>\$ 862,183</u>	<u>\$3,964,660</u>	<u>\$3,788,110</u>

NOTE 12 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
Keokuk County Health Center
Sigourney, Iowa

Our report on our audits of the basic financial statements of Keokuk County 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
July 31, 2009

**Keokuk 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 Health Center at end of year)	\$ 746,867	\$ 267,204	44.44%	25.13%
31 – 60 days	178,625	213,521	10.63	20.08
61 – 90 days	230,962	122,581	13.74	11.53
91 – 120 days	139,581	75,154	8.31	7.06
Over 120 days	<u>384,507</u>	<u>385,027</u>	<u>22.88</u>	<u>36.20</u>
Totals	<u>1,680,542</u>	<u>1,063,487</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	(160,000)	(180,000)		
Medicaid	20,000	20,000		
Other	20,000	20,000		
Bad debts	<u>260,000</u>	<u>160,000</u>		
Total allowances	<u>140,000</u>	<u>20,000</u>		
Totals	<u>\$1,540,542</u>	<u>\$1,043,487</u>		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	<u>\$ 15,267</u>	<u>\$ 14,401</u>		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	<u>101</u>	<u>72</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>
BALANCE , beginning	\$ 160,000	\$ 120,000		
ADD				
Provision for bad debts	430,613	385,887	7.73%	7.33%
Recoveries of accounts previously written off	<u>27,717</u>	<u>21,068</u>	.50	.40
	618,330	526,955		
DEDUCT				
Accounts written off	<u>358,330</u>	<u>366,955</u>	6.43	6.97
BALANCE , ending	<u>\$ 260,000</u>	<u>\$ 160,000</u>		

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

	2009			2008
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
DAILY PATIENT SERVICES				
Adult and pediatric	\$ 149,198	\$ -	\$ 149,198	\$ 181,855
Skilled care	384,648	-	384,648	259,980
Intermediate care	<u>208,032</u>	<u>-</u>	<u>208,032</u>	<u>290,884</u>
	<u>741,878</u>	<u>-</u>	<u>741,878</u>	<u>732,719</u>
OTHER NURSING SERVICES				
Observation room	-	79,704	79,704	45,274
Emergency service	315	927,096	927,411	725,385
Special procedures	-	80,805	80,805	90,894
Central supply	102,280	40,479	142,759	77,936
Ambulance	<u>-</u>	<u>672,616</u>	<u>672,616</u>	<u>652,259</u>
	<u>102,595</u>	<u>1,800,700</u>	<u>1,903,295</u>	<u>1,591,748</u>
OTHER PROFESSIONAL SERVICES				
Laboratory	61,114	652,993	714,107	869,926
Radiology	44,309	574,767	619,076	550,748
Electrocardiology	4,006	21,300	25,306	27,203
Pharmacy	118,849	153,835	272,684	219,562
Occupational therapy	29,002	8,570	37,572	46,137
Speech therapy	6,804	3,318	10,122	9,255
Physical therapy	70,595	404,547	475,142	337,335
Cardiac rehabilitation	-	37,005	37,005	32,256
Clinic	<u>-</u>	<u>97,222</u>	<u>97,222</u>	<u>100,257</u>
	<u>334,679</u>	<u>1,953,557</u>	<u>2,288,236</u>	<u>2,192,679</u>
Totals	<u>\$1,179,152</u>	<u>\$3,754,257</u>	4,933,409	4,517,146
Charity care charges foregone, based on established rates			<u>(27,625)</u>	<u>(32,314)</u>
Total gross patient service revenue			4,905,784	4,484,832
Provisions for contractual adjustments and bad debts			<u>666,530</u>	<u>785,796</u>
Total net patient service revenue			<u>\$5,572,314</u>	<u>\$5,270,628</u>

**Keokuk County Health Center
PROVISIONS FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBTS**

	Year ended June 30	
	2009	2008
Contractual adjustments		
Medicare	\$(1,298,059)	\$(1,471,624)
Medicaid	(45,208)	(9,621)
Other adjustments	246,124	309,562
Provision for bad debts	430,613	385,887
Totals	\$ (666,530)	\$ (785,796)

OTHER REVENUE

	Year ended June 30	
	2009	2008
Rental income		
Medical clinic	\$ 41,580	\$ 41,580
Other	8,558	5,658
Miscellaneous	142,654	132,680
Totals	\$ 192,792	\$ 179,918

Keokuk County Health Center
EXPENSES
Year ended June 30, 2009, with comparative totals for 2008

	2009			2008
	Salaries	Other	Total	Total
NURSING SERVICE				
Nursing administration	\$ 83,187	\$ 587	\$ 83,774	\$ 113,383
Adult and pediatric	887,211	69,789	957,000	837,595
Emergency service	197,637	363,752	561,389	575,528
Special procedures	969	28,279	29,248	44,308
Central supply	36,812	1,060	37,872	39,719
Ambulance	<u>252,733</u>	<u>72,177</u>	<u>324,910</u>	<u>305,101</u>
Total nursing service	<u>1,458,549</u>	<u>535,644</u>	<u>1,994,193</u>	<u>1,915,634</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	127,679	172,011	299,690	327,302
Radiology	105,054	83,098	188,152	168,689
Electrocardiology	-	16,315	16,315	13,329
Pharmacy	11,522	171,237	182,759	166,614
Occupational therapy	-	17,356	17,356	18,649
Speech therapy	-	6,504	6,504	3,415
Physical therapy	144,958	8,421	153,379	125,656
Cardiac rehabilitation	21,329	35,164	56,493	44,015
Clinic	53,104	102,652	155,756	71,582
Medical records	<u>104,462</u>	<u>15,042</u>	<u>119,504</u>	<u>107,356</u>
Total other professional service	<u>568,108</u>	<u>627,800</u>	<u>1,195,908</u>	<u>1,046,607</u>
GENERAL SERVICE				
Dietary	121,469	48,348	169,817	168,793
Plant operation	45,904	230,331	276,235	264,399
Housekeeping	58,110	9,791	67,901	72,854
Laundry	<u>28,662</u>	<u>7,237</u>	<u>35,899</u>	<u>32,812</u>
Total general service	<u>254,145</u>	<u>295,707</u>	<u>549,852</u>	<u>538,858</u>
FISCAL AND ADMINISTRATIVE SERVICE AND UNASSIGNED EXPENSES				
Administration and business office	380,246	339,269	719,515	716,394
FICA	-	193,593	193,593	180,977
IPERS	-	168,977	168,977	142,098
Group health and life insurance	-	352,018	352,018	294,452
Insurance	<u>-</u>	<u>91,212</u>	<u>91,212</u>	<u>107,622</u>
Total fiscal and administrative service and unassigned expenses	<u>380,246</u>	<u>1,145,069</u>	<u>1,525,315</u>	<u>1,441,543</u>
PROVISION FOR DEPRECIATION				
	<u>-</u>	<u>685,030</u>	<u>685,030</u>	<u>674,608</u>
Total expenses	<u>\$2,661,048</u>	<u>\$3,289,250</u>	<u>\$5,950,298</u>	<u>\$5,617,250</u>

**Keokuk County Health Center
STATISTICS**

	Year ended June 30	
	<u>2009</u>	<u>2008</u>
PATIENT DAYS		
Adult and pediatric	236	282
Swing bed		
Skilled care	782	566
Intermediate care	<u>1,658</u>	<u>2,196</u>
Totals	<u>2,676</u>	<u>3,044</u>
DISCHARGES		
Adult and pediatric	82	98
Swing bed		
Skilled care	47	53
Intermediate care	<u>14</u>	<u>14</u>
Totals	<u>143</u>	<u>165</u>
AVERAGE LENGTH OF STAY		
Adult and pediatric	2.88	2.88
Swing bed		
Skilled care	16.64	10.68
Intermediate care	118.43	156.86

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
Keokuk County Health Center
Sigourney, Iowa

We have audited the financial statements of Keokuk County Health Center as of and for the year ended June 30, 2009, and have issued our report thereon dated July 31, 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*. However, we noted a certain immaterial instance of noncompliance that is described in the accompanying Schedule of Findings.

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 Keokuk 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
July 31, 2009

**Keokuk 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.

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

Part II—Findings Related to Required Statutory Reporting

09-II-A CERTIFIED COUNTY HOSPITAL BUDGET

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

Recommendation

Should this occur in the future, we recommend the budget be amended using the statutorily-prescribed procedures.

Response

In the future the Health Center will monitor the budget and, if appropriate, seek amendment.

Conclusion

Response accepted.

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.