

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

FINANCIAL REPORT

June 30, 2010

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**Jefferson County Hospital
d/b/a Jefferson County Health Center
OFFICIALS
June 30, 2010**

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 (through November 2009)	December 31, 2010
Renee Rebling (November 2009 - present)	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, 2010 and 2009, 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, 2010 and 2009, 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 October 20, 2010, 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 29 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
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 20, 2010

**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, 2010, 2009 and 2008. 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 \$ 2,286,361 from FY 2009 to \$57,994,296 following a decrease in FY 2009 of \$1,444,536.
- Property and equipment decreased from FY 2009 by \$3,200,921, following an increase of \$10,726,747 in FY 2009.
- Total debt decreased from FY 2009 by \$662,237, following an increase of \$626,381 in FY 2009.
- Fund equity decreased in FY 2010 by \$1,211,747 and decreased by \$328,067 in FY 2009.
- Net patient service revenue increased from FY 2009 by \$731,259. This followed an increase in FY 2009 of \$1,020,899.
- Expenses decreased from FY 2009 by \$285,090 or 1.0%. This is due to reductions in FTE's associated with discontinuing the long term care unit operations.
- Total margin for FY 2010 was (6.0%), compared to (1.7%) for FY 2009.

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, 2010, 2009 and 2008, are presented in Table 1 below.

Table 1
Condensed Balance Sheets

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Dollar Change</u>	<u>Total % Change</u>	<u>June 30, 2008</u>
Current and other assets	\$17,589,750	\$16,675,190	\$914,560	5%	\$28,846,473
Capital assets	\$40,404,546	\$43,605,467	(\$3,200,921)	(7%)	\$32,878,720
Total Assets	<u>\$57,994,296</u>	<u>\$60,280,657</u>	<u>(\$2,286,361)</u>	<u>(4%)</u>	<u>\$61,725,193</u>
Long-term debt outstanding	\$36,518,204	\$37,180,364	(\$662,160)	(2%)	\$37,059,669
Other liabilities	\$3,883,527	\$4,295,981	(\$412,454)	(10%)	\$5,533,145
Total liabilities	<u>\$40,401,731</u>	<u>\$41,476,345</u>	<u>(\$1,074,614)</u>	<u>(3%)</u>	<u>\$42,592,814</u>
Total fund equity	<u>\$17,592,565</u>	<u>\$18,804,312</u>	<u>(\$1,211,747)</u>	<u>(6%)</u>	<u>\$19,132,379</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, 2010, 2009 and 2008.

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

	Year ended June 30,		
	2010	2009	2008
Total revenue	\$20,168,728	\$19,489,897	\$18,161,326
Expenses	\$20,272,370	\$20,557,460	\$18,264,760
Operating (loss)	(\$103,642)	(\$1,067,563)	(\$103,434)
Non-operating gains (losses)	(\$1,341,898)	\$471,457	\$1,053,000
Excess (deficiency) of revenues over expenses	(\$1,445,540)	(\$596,106)	\$949,566
Other changes in fund equity-contributions	\$233,793	\$268,039	\$213,922
Total fund equity, beginning	\$18,804,312	\$19,132,379	\$17,968,891
Total fund equity, ending	\$17,592,565	\$18,804,312	\$19,132,379

Operating and Financial Performance

Volume: Acute inpatient admissions for fiscal year 2010 were 497 compared to 540 in fiscal year 2009. Acute patient days decreased by 4% compared to FY 2009 because of the decrease in admissions. Swing bed admissions decreased by 15% for FY 2010 to a total of 179 admissions. Swing bed patient days increased by 10% due to a 25% increase in length of stay. Average swing bed length of stay went from 8.7 days to 10.9 days. Outpatient visits increased by 45% to 40,692 visits in FY 2010. Operating room procedures were 16% below FY 2009's level due to an decrease in minor outpatient surgical procedures. Total operating room procedures in FY 2010 were 579 surgeries compared to 688 in FY 2009 with 80% of the surgeries being outpatient procedures.

Net Patient Service Revenue: Because of an increase in outpatient utilization from lab and radiology services, net patient service revenues increased by \$731,259 or 4% compared to fiscal year 2009. 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 \$1,207,417 or 10% over FY 2009. 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, 2010, 2009 and 2008.

Table 3
Payor Mix by Percentage

	Year Ended June 30,		
	2010	2009	2008
Medicare	53%	53%	50%
Wellmark	24%	26%	21%
Other Commercial Insurance	12%	9%	13%
Medicaid	9%	8%	9%
All other	2%	4%	7%
Total	100%	100%	100%

Significant changes in operations from FY 2009:

Outpatient Revenue: There was a 13% or \$2,955,001 increase in outpatient revenue in FY 2010 compared to FY 2009. The departments with the largest increases were laboratory, sleep lab, radiology and pharmacy.

Salaries and Employee Benefits: FY 2010 showed a 10%, or \$1,002,064 reduction in salary and employee benefit expense compared to FY 2009. Reasons for the decrease are discontinuing long term care services and efficiencies associated with the new hospital.

Interest and Depreciation Expense: Interest expense increased by \$1,524,444 and depreciation expense increased by \$1,226,863 over FY 2009 levels. The reason for this is FY 2010 is the first full year of being in the new hospital and absorbing a full year of depreciation and interest expense.

CAPITAL ASSETS

At the end of fiscal year 2010, the Jefferson County Health Center has invested \$40,404,546 in capital assets. The decrease in capital assets is due to the depreciation expense exceeding the additions to capital assets and the sale of assets during 2010.

The following table summarizes Jefferson County Health Center's capital assets as of June 30, 2010, 2009 and 2008.

Table 4
Capital Assets
(in Thousands)

	June 30,			
	2010	2009	Change	2008
Land	\$1,355.2	\$1,474.2	(\$119)	\$1,474.2
Land improvements	\$2,127.1	\$2,127.1	\$0	\$570.6
Buildings	\$45,246.4	\$45,809.2	(\$562.8)	\$13,965.9
Major moveable equipment	\$8,445.5	\$12,277.4	(\$3,831.9)	\$9,341.4
Construction in progress	\$.5	\$3.2	(\$2.7)	\$23,880.2
Subtotal	\$57,174.7	\$61,691.1	(\$4,516.4)	\$49,232.3
Less accumulated depreciation	(\$16,770.1)	(\$18,085.6)	\$1,315.5	(\$16,353.6)
Property, plant and equipment, net	\$40,404.6	\$43,605.5	(\$3,200.9)	\$32,878.7

DEBT ADMINISTRATION

Long-Term Debt

At year-end, Jefferson County Health Center had \$ 37,180,394 in long-term debt related to financing for an information technology upgrade, and financing for a replacement facility. This has decreased from \$37,842,631 in fiscal year 2009. More detailed information about Jefferson County Health Center's outstanding debt is presented in the Notes to the Financial Statements. Note that total long term debt represents 211% of Jefferson County Health Center's equity as of year-end.

PERFORMANCE COMPARED TO BUDGET

Net patient revenues were \$1,801,600 or 8.5% under budget for the fiscal year ended June 30, 2010. This was due to a gross revenue being 1% below budget as well as contractual allowances being 11% above budget.

Operating expenses were \$ 404,100 or 2% below budget for the year with salaries and benefits being 5% below 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 \$632,500 under budget due to a decrease in investment income and losses on the sale of two of our physician clinics.

The following table compares fiscal year 2010 actual to budget information.

Table 5
Budget vs. Actual
(In Thousands)

	FY 2010 Budget	FY 2010 Actual	Dollar Variance	Percent Variance
Gross patient service revenue	\$33,513.7	\$33,091.1	(\$422.6)	(1.3%)
Contractual adjustments and charity care	\$12,388.8	\$13,767.8	\$1,379.0	11.1%
Net patient service revenue	\$21,124.9	\$19,323.3	(\$1,801.6)	(8.5%)
Other operating revenue	\$296.4	\$845.4	\$549.0	185.2%
Total operating revenue	\$21,421.3	\$20,168.7	(\$1,252.6)	(5.8%)
Operating expenses	\$20,676.5	\$20,272.4	(\$404.1)	(2.0%)
Operating income	\$744.8	(\$103.7)	(\$848.5)	(114.0%)
Income from investments	\$342.9	\$285.9	(\$57.0)	(16.6%)
Other non-operating gains	\$1,008.5	\$433.0	(\$575.5)	(57.1%)
Interest expense	(\$2,058.0)	(\$2,060.8)	\$2.8	.1%
Excess (deficiency) of revenue over expenses before contributions	\$38.2	(\$1,445.6)	(\$1,483.8)	(388.4%)

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 2011 budget. Of primary importance in setting the 2011 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	2010	2009
CURRENT ASSETS		
Cash	\$ 5,775,867	\$ 3,760,466
Assets whose use is limited, required for current liabilities	1,258,308	1,234,408
Patient receivables, less allowance for contractual adjustments and uncollectibles 2010 \$1,271,000; 2009 \$1,356,500	3,332,964	3,518,508
Other receivables	70,566	48,966
Estimated third-party payor settlements	454,979	470,000
Inventories	163,170	182,245
Prepaid expenses	301,354	375,561
Succeeding year property tax receivable	<u>1,056,100</u>	<u>984,952</u>
Total current assets	<u>12,413,308</u>	<u>10,575,106</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion Certificates of deposit	<u>185,000</u>	<u>185,000</u>
Restricted by bond indenture agreement Cash and cash equivalents	<u>5,298,573</u>	<u>6,490,644</u>
Restricted by donors for specific purpose Cash and cash equivalents	<u>40,870</u>	<u>35,057</u>
Total assets whose use is limited	<u>5,524,443</u>	<u>6,710,701</u>
Less assets whose use is limited, required for current liabilities Noncurrent assets whose use is limited	<u>1,258,308</u> <u>4,266,135</u>	<u>1,234,408</u> <u>5,476,293</u>
PROPERTY AND EQUIPMENT	57,174,685	61,691,094
Less accumulated depreciation	<u>16,770,139</u>	<u>18,085,627</u>
Total property and equipment	<u>40,404,546</u>	<u>43,605,467</u>
OTHER ASSET		
Investment in joint ventures	<u>910,307</u>	<u>623,791</u>
Totals	<u>\$57,994,296</u>	<u>\$60,280,657</u>

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

	<u>Year ended June 30</u>	
	<u>2010</u>	<u>2009</u>
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2010 \$1,161,981; 2009 \$1,253,022	\$19,323,348	\$18,592,089
OTHER REVENUE	<u>845,380</u>	<u>897,808</u>
Total revenue	<u>20,168,728</u>	<u>19,489,897</u>
EXPENSES		
Nursing service	4,326,430	5,028,407
Other professional service	7,064,563	7,393,331
General service	1,943,301	2,241,143
Fiscal and administrative service and unassigned expenses	3,898,551	4,081,917
Provision for depreciation	<u>3,039,525</u>	<u>1,812,662</u>
Total expenses	<u>20,272,370</u>	<u>20,557,460</u>
Operating (loss)	<u>(103,642)</u>	<u>(1,067,563)</u>
NONOPERATING GAINS (LOSSES)		
County taxes	1,008,295	794,472
Investment income	97,136	163,568
Interest expense	(2,060,805)	(536,361)
Equity in income of joint venture investments	188,781	42,436
Gain (loss) on sale of property and equipment	<u>(575,305)</u>	<u>7,342</u>
Total nonoperating gains (losses)	<u>(1,341,898)</u>	<u>471,457</u>
(Deficiency) of revenues over expenses before contributions	<u>(1,445,540)</u>	<u>(596,106)</u>
CONTRIBUTIONS		
Change in fund equity	<u>233,793</u>	<u>268,039</u>
	(1,211,747)	(328,067)
TOTAL FUND EQUITY		
Beginning	<u>18,804,312</u>	<u>19,132,379</u>
Ending	<u>\$17,592,565</u>	<u>\$18,804,312</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$19,523,913	\$18,281,480
Cash paid to suppliers for goods and services	(9,907,470)	(10,471,485)
Cash paid to employees for services	(7,357,765)	(8,269,355)
Other operating revenue received	<u>829,855</u>	<u>877,943</u>
Net cash provided by operating activities	<u>3,088,533</u>	<u>418,583</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes received	1,002,220	793,930
Scholarships paid by restricted fund	<u>—</u>	<u>(2,000)</u>
Net cash provided by noncapital financing activities	<u>1,002,220</u>	<u>791,930</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment and construction in progress	(1,017,737)	(14,429,897)
Principal payments on long-term debt	(662,237)	(183,619)
Proceeds on issuance of debt	—	810,000
Proceeds from sale of property and equipment	257,075	7,342
Interest paid on long-term debt	(2,071,905)	(706,213)
Contributions restricted for purchase of property and equipment	<u>233,793</u>	<u>268,039</u>
Net cash provided by (used in) capital and related financing activities	<u>(3,261,011)</u>	<u>(14,234,348)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment (redemption) in U.S. government agency securities, net	—	8,067,345
Net transfers from assets whose use is limited	—	1,049,664
(Contributions to) investments in joint ventures	(97,735)	(91,902)
Investment income received	<u>97,136</u>	<u>169,473</u>
Net cash provided by (used in) investing activities	<u>(599)</u>	<u>9,194,580</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	829,143	(3,829,255)
CASH AND CASH EQUIVALENTS		
Beginning	<u>10,286,167</u>	<u>14,115,422</u>
Ending	<u>\$11,115,310</u>	<u>\$10,286,167</u>

See Notes to Financial Statements.

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

	<u>Year ended June 30</u>	
	<u>2010</u>	<u>2009</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating (loss)	\$ (103,642)	\$ (1,067,563)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Provision for depreciation	3,039,525	1,812,662
Change in assets and liabilities		
Decrease in patient receivables	185,544	58,812
(Increase) in other receivables, net of noncapital financing activities	(15,525)	(19,865)
Decrease in inventories	19,075	18,899
(Increase) decrease in prepaid expenses	74,207	(121,914)
Increase (decrease) in accounts payable, net of equipment payables	(101,627)	97,515
Increase (decrease) in accrued employee compensation	(41,950)	23,685
Increase (decrease) in payroll taxes and withholdings	17,905	(14,227)
(Increase) decrease in net estimated third-party payor settlements	<u>15,021</u>	<u>(369,421)</u>
Net cash provided by operating activities	<u>\$ 3,088,533</u>	<u>\$ 418,583</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Per balance sheet		
Current assets	\$ 5,775,867	\$ 3,760,466
Assets whose use is limited		
Restricted by bond indenture agreement	5,298,573	6,490,644
Restricted by donors for specific purpose	<u>40,870</u>	<u>35,057</u>
Total per statement of cash flows	<u>\$11,115,310</u>	<u>\$10,286,167</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. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hospital has 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 material 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.

The Hospital has implemented Governmental Accounting Standards Board, GASB, Statement No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions*. An actuarial valuation has been performed and the other post employment benefit has been judged by management to be immaterial to the financial statements.

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.

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of succeeding year property tax receivable.

Fund Equity

Fund equity is presented in the following 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.

When both restricted and unrestricted fund equity are available for use, generally it is the Hospital's policy to use restricted fund equity first.

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.

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. The construction project was completed in April 2009.

NOTE 2 CASH AND INVESTMENTS

The Hospital's deposits in banks at June 30, 2010 were 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 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).

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

NOTE 2 CASH AND INVESTMENTS (continued)

The Hospital's investments at June 30, 2010 are as follows:

	Maturities	Fair value
Mutual fund	Daily	\$ <u>40,870</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.

NOTE 3 PATIENT RECEIVABLES

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

	June 30	
	2010	2009
Receivable from patients	\$ 217,643	\$ 329,144
Receivable from insurance carriers	2,149,711	1,947,483
Receivable from Medicare	1,958,376	2,231,149
Receivable from Medicaid	<u>278,234</u>	<u>367,232</u>
Total patient receivables	4,603,964	4,875,008
Less allowances for contractual and other adjustments	<u>(1,271,000)</u>	<u>(1,356,500)</u>
Totals	<u>\$3,332,964</u>	<u>\$3,518,508</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, 2010:

	Project Fund	Sinking Fund	Debt Service Reserve Fund	Interest Fund	Total
BALANCE, beginning	\$1,616,895	\$ 67,434	\$2,589,269	\$2,217,046	\$6,490,644
Deposits	-	-	-	1,842,326	1,842,326
Investment income	634	143	1,362	812	2,951
Transfers, net	(1,160,961)	1,161,505	(535)	(9)	-
Project disbursements	(456,147)	-	-	-	(456,147)
Fees	(421)	(19)	(724)	(3,462)	(4,626)
Principal payments	-	-	-	(555,000)	(555,000)
Interest payments	-	-	-	<u>(2,021,575)</u>	<u>(2,021,575)</u>
BALANCE, ending	<u>\$ -</u>	<u>\$1,229,063</u>	<u>\$2,589,372</u>	<u>\$1,480,138</u>	<u>\$5,298,573</u>

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

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.

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, 2010 and 2009 follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2010</u>
Land	\$ 1,474,185	\$ 65,000	\$ 184,000	\$ -	\$ 1,355,185
Land improvements	2,127,128	-	-	-	2,127,128
Buildings	45,809,177	215,359	778,152	-	45,246,384
Equipment	12,277,405	310,668	4,225,241	82,656	8,445,488
Construction and equipment installations in progress	<u>3,199</u>	<u>79,957</u>	<u>-</u>	<u>(82,656)</u>	<u>500</u>
Totals	61,691,094	670,984	5,187,393	-	57,174,685
Less accumulated depreciation and amortization	<u>(18,085,627)</u>	<u>(3,039,525)</u>	<u>(4,355,013)</u>	<u>-</u>	<u>(16,770,139)</u>
Net property and equipment	<u>\$43,605,467</u>	<u>\$(2,368,541)</u>	<u>\$ 832,380</u>	<u>\$ -</u>	<u>\$40,404,546</u>

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

NOTE 6 PROPERTY AND EQUIPMENT (continued)

	<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>

Included in the buildings and equipment categories is approximately \$13,197,000 of costs related to the old Hospital facility which was replaced during 2009. This building was sold subsequent to June 30, 2010, with the loss on the sale totaling approximately \$4,334,000.

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, 2010 is \$715,394.

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, 2010 is \$1,885,000.
- 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, 2010 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, 2010 is \$24,580,000.

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

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

NOTE 7 LONG TERM DEBT (continued)

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, 2010 is \$73,280,155. 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, 2010 and 2009:

	<u>Year ended June 30</u>	
	<u>2010</u>	<u>2009</u>
Change in fund equity	\$(1,211,747)	\$ (328,067)
Provision for depreciation	3,039,525	1,812,662
Interest expense on the Notes and Bonds	2,060,805	536,361
Loss on sale of property	<u>575,305</u>	<u>—</u>
 Pledged revenues	 <u>\$4,463,888</u>	 <u>\$2,020,956</u>
 Principal and interest requirements	 <u>\$2,562,700</u>	 <u>\$2,096,000</u>

Principal and interest maturities of long-term debt at June 30, 2010 are summarized as follows:

<u>Year ending June 30</u>	<u>Revenue Note</u>	<u>Revenue Bonds</u>	<u>Total Principal</u>	<u>Interest</u>	<u>Total</u>
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	93,888	740,000	833,888	1,868,406	2,702,294
2016-2020	302,091	4,235,000	4,537,091	8,712,985	13,250,076
2021-2025	—	5,390,000	5,390,000	7,532,529	12,922,529
2026-2030	—	7,035,000	7,035,000	5,899,213	12,934,213
2031-2035	—	9,365,000	9,365,000	3,560,033	12,925,033
2036-2038	<u>—</u>	<u>7,105,000</u>	<u>7,105,000</u>	<u>650,781</u>	<u>7,755,781</u>
Total	715,394	36,465,000	37,180,394	36,099,761	73,280,155
Less current maturities	<u>72,190</u>	<u>590,000</u>	<u>662,190</u>	<u>2,032,221</u>	<u>2,694,411</u>
 Total long-term debt	 <u>\$ 643,204</u>	 <u>\$35,875,000</u>	 <u>\$36,518,204</u>	 <u>\$34,067,540</u>	 <u>\$70,585,744</u>

A summary of changes in long-term debt for the year ended June 30, 2010 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)	\$ 782,962	\$ —	\$ 67,568	\$ 715,394	\$ 72,190
Hospital Revenue Refunding Bonds (Series 2007B)	10,000,000	—	—	10,000,000	—
Hospital Revenue Bonds (Series 2007A)	2,440,000	—	555,000	1,885,000	590,000
Hospital Revenue Bonds (Series 2007C)	24,580,000	—	—	24,580,000	—
Equipment notes	<u>39,669</u>	<u>—</u>	<u>39,669</u>	<u>—</u>	<u>—</u>
Totals	<u>\$37,842,631</u>	<u>\$ —</u>	<u>\$ 662,237</u>	<u>\$37,180,394</u>	<u>\$ 662,190</u>

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

NOTE 7 LONG TERM DEBT (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>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	196,250	-	156,581	39,669	39,669
Totals	<u>\$37,216,250</u>	<u>\$ 810,000</u>	<u>\$ 183,619</u>	<u>\$37,842,631</u>	<u>\$ 662,267</u>

The Hospital capitalizes interest cost on construction project related debt during the construction period. For the year ended June 30, 2010 and 2009, the Hospital capitalized \$-0- and \$1,586,244 of interest cost, respectively, and incurred total interest cost of \$2,060,805 and \$2,122,605 for 2010 and 2009, respectively.

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, 2010 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, 2010, regular plan members were required to contribute 4.30% of their annual salary and the Hospital is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$467,670, \$519,667 and \$466,337, respectively, equal to the required contributions for each year.

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

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, 2010 and 2009.

	2010	2009
Charges foregone, based on established rates	\$ <u>389,494</u>	\$ <u>354,500</u>
Equivalent percentage of charity care patients to all patients served	<u>1.1%</u>	<u>1.1%</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 \$55,000 per person, with an aggregate stop-loss provision for the plan as a whole of approximately \$770,000. Total expense, which includes claims, administration fees, and stop-loss insurance, under this self-insurance program for the years ended June 30, 2010 and 2009 was \$745,803 and \$665,256, respectively.

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, 2010, the balance of the fund was being maintained in mutual funds with a total balance of \$40,870.

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 \$188,781 in 2010 and \$42,436 in 2009.

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

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 monthly payments of \$12,017 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

2011	\$ 144,208
2012	144,208
2013	144,208
2014	<u>72,104</u>
Total	<u>\$ 504,728</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, 2010**

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	\$ 1,008,295	\$ —	\$ 1,008,295	\$ —	\$ 1,008,295	\$ 1,008,295
Other revenue/ receipts	<u>20,107,320</u>	<u>5,813</u>	<u>20,113,133</u>	<u>—</u>	<u>20,113,133</u>	<u>19,838,563</u>
	21,115,615	5,813	21,121,428	—	21,121,428	20,846,858
Expenses/ expenditures	<u>22,333,175</u>	<u>—</u>	<u>22,333,175</u>	<u>(1,167,154)</u>	<u>21,166,021</u>	<u>23,146,434</u>
Net	(1,217,560)	5,813	(1,211,747)	(1,167,154)	(44,593)	(2,299,576)
Balance, beginning	<u>18,769,255</u>	<u>35,057</u>	<u>18,804,312</u>	<u>(18,645,842)</u>	<u>158,470</u>	<u>9,109,495</u>
Balance, ending	<u>\$17,551,695</u>	<u>\$ 40,870</u>	<u>\$17,592,565</u>	<u>\$(17,478,688)</u>	<u>\$ 113,877</u>	<u>\$ 6,809,919</u>

*Includes unrestricted fund equity, fund equity invested in capital assets, net of related debt and restricted by bond indenture agreement 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, 2010 and 2009 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
October 20, 2010

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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
0 – 30 days (includes patients in Hospital at end of year)	\$2,474,138	\$2,417,806	54.74%	50.69%
31 – 60 days	784,860	950,673	17.36	19.93
61 – 90 days	360,844	415,298	7.98	8.71
Over 90 days	<u>900,114</u>	<u>985,643</u>	<u>19.92</u>	<u>20.67</u>
	<u>4,519,956</u>	<u>4,769,420</u>	<u>100.00%</u>	<u>100.00%</u>
Physician Clinic	<u>84,008</u>	<u>105,588</u>		
Total receivables	<u>4,603,964</u>	<u>4,875,008</u>		
Allowances				
Contractual				
Medicare	718,000	812,500		
Medicaid and Wellmark	427,000	354,000		
Uncollectibles	92,000	148,000		
Physician Clinic	<u>34,000</u>	<u>42,000</u>		
Total allowances	<u>1,271,000</u>	<u>1,356,500</u>		
Totals	<u>\$3,332,964</u>	<u>\$3,518,508</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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
BALANCE , beginning	\$ 148,000	\$ 112,000		
ADD				
Provision for bad debts	1,161,981	1,253,022	6.01%	6.74%
DEDUCT				
Accounts written off	<u>(1,217,981)</u>	<u>(1,217,022)</u>	6.30	6.55
BALANCE , ending	<u>\$ 92,000</u>	<u>\$ 148,000</u>		

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

	<u>June 30</u>		
	<u>2010</u>	<u>2009</u>	<u>(Decrease)</u>
Storeroom	\$ 38,216	\$ 45,906	\$ (7,690)
Pharmacy	67,780	77,831	(10,051)
Dietary	16,743	17,916	(1,173)
Uniforms and linen	<u>40,431</u>	<u>40,592</u>	<u>(161)</u>
Totals	<u>\$ 163,170</u>	<u>\$ 182,245</u>	<u>\$ (19,075)</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
INSURANCE COVERAGE
June 30, 2010**

<u>Insurer</u>	<u>Coverage Type</u>	<u>Effective Dates</u>	<u>Coverage Amount</u>
Chubb	Directors and Officers	July 2009 to July 2010	\$2,000,000
Allied Insurance	Employee Honesty Bond	May 2008 to April 2011	\$50,000/employee
Midwest Medical Insurance	Physician Liability Coverage	January 2010 to January 2011	
	Each claim		\$2,000,000
	Total facility		\$4,000,000
Pro Assurance	Physician Liability Coverage	August 2009 to August 2010	
	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 2010 to May 2011	
	Each claim		\$1,000,000
	Total facility		\$3,000,000
MHA Insurance	Umbrella Excess Liability	May 2010 to May 2011	
	Each claim		\$7,000,000
	Total facility		\$7,000,000
General Casualty	Business Auto	May 2010 to May 2011	\$1,000,000
General Casualty	Building and Contents	May 2010 to May 2011	\$60,182,000
	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		
	2010	2009	
DAILY PATIENT SERVICES			
Medical and surgical	\$ 2,027,152	\$ 2,030,080	\$ (2,928)
Critical care unit	56,220	54,000	2,220
Swing bed	977,753	869,976	107,777
Long term care	—	1,272,244	(1,272,244)
	<u>3,061,125</u>	<u>4,226,300</u>	<u>(1,165,175)</u>
OTHER NURSING SERVICES			
Operating and recovery rooms	5,817,079	3,263,416	2,553,663
Central supply	219,162	237,297	(18,135)
Emergency services	<u>4,297,583</u>	<u>6,186,884</u>	<u>(1,889,301)</u>
	<u>10,333,824</u>	<u>9,687,597</u>	<u>646,227</u>
OTHER PROFESSIONAL SERVICES			
Laboratory and blood bank	4,815,398	3,529,078	1,286,320
Electrocardiology	442,694	454,216	(11,522)
Radiology	2,852,739	2,497,115	355,624
CT scans	2,378,900	2,352,329	26,571
Magnetic resonance imaging	1,346,894	1,628,041	(281,147)
Pharmacy	2,305,209	2,074,213	230,996
Anesthesiology	808,760	852,745	(43,985)
Respiratory therapy	624,667	478,121	146,546
Physical therapy	1,363,437	1,188,919	174,518
Speech therapy	63,604	48,564	15,040
Occupational therapy	297,155	245,000	52,155
Medical arts	156,082	281,121	(125,039)
Physician clinic	907,251	698,610	208,641
Peasley clinic	750,758	533,599	217,159
Sleep lab	<u>582,621</u>	<u>341,880</u>	<u>240,741</u>
	<u>19,696,169</u>	<u>17,203,551</u>	<u>2,492,618</u>
	33,091,118	31,117,448	1,973,670
Charity care charges foregone, based on established rates	<u>(389,494)</u>	<u>(354,500)</u>	<u>(34,994)</u>
Total gross patient service revenue	32,701,624	30,762,948	1,938,676
Provisions for contractual and other adjustments	<u>(13,378,276)</u>	<u>(12,170,859)</u>	<u>(1,207,417)</u>
Net patient service revenue	<u>\$19,323,348</u>	<u>\$18,592,089</u>	<u>\$ 731,259</u>

Inpatient			Outpatient		
Year ended June 30		Increase	Year ended June 30		Increase
2010	2009	(decrease)	2010	2009	(decrease)
\$2,027,152	\$2,030,080	\$ (2,928)	\$ -	\$ -	\$ -
56,220	54,000	2,220	-	-	-
977,753	869,976	107,777	-	-	-
-	1,272,244	(1,272,244)	-	-	-
<u>3,061,125</u>	<u>4,226,300</u>	<u>(1,165,175)</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,171,191	1,032,248	138,943	4,645,888	2,231,168	2,414,720
218,416	236,682	(18,266)	746	615	131
<u>77,818</u>	<u>129,130</u>	<u>(51,312)</u>	<u>4,219,765</u>	<u>6,057,754</u>	<u>(1,837,989)</u>
<u>1,467,425</u>	<u>1,398,060</u>	<u>69,365</u>	<u>8,866,399</u>	<u>8,289,537</u>	<u>576,862</u>
433,217	507,390	(74,173)	4,382,181	3,021,688	1,360,493
23,123	25,507	(2,384)	419,571	428,709	(9,138)
178,396	175,774	2,622	2,674,343	2,321,341	353,002
129,185	198,034	(68,849)	2,249,715	2,154,295	95,420
69,737	68,265	1,472	1,277,157	1,559,776	(282,619)
756,866	704,735	52,131	1,548,343	1,369,478	178,865
144,305	128,310	15,995	664,455	724,435	(59,980)
505,877	411,535	94,342	118,790	66,586	52,204
445,119	362,403	82,716	918,318	826,516	91,802
23,190	29,164	(5,974)	40,414	19,400	21,014
151,201	134,620	16,581	145,954	110,380	35,574
-	-	-	156,082	281,121	(125,039)
-	-	-	907,251	698,610	208,641
-	-	-	750,758	533,599	217,159
-	-	-	582,621	341,880	240,741
<u>2,860,216</u>	<u>2,745,737</u>	<u>114,479</u>	<u>16,835,953</u>	<u>14,457,814</u>	<u>2,378,139</u>
<u>\$7,388,766</u>	<u>\$8,370,097</u>	<u>\$ (981,331)</u>	<u>\$25,702,352</u>	<u>\$22,747,351</u>	<u>\$2,955,001</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>2010</u>	<u>2009</u>	
Contractual adjustments			
Medicare	\$ 6,329,765	\$ 6,363,595	\$ (33,830)
Medicaid	1,823,034	1,521,147	301,887
Wellmark	2,943,894	2,025,233	918,661
Provision for bad debts	1,161,981	1,253,022	(91,041)
Discounts and other adjustments	<u>1,119,602</u>	<u>1,007,862</u>	<u>111,740</u>
Totals	<u>\$13,378,276</u>	<u>\$12,170,859</u>	<u>\$1,207,417</u>

OTHER REVENUE

	<u>Year ended June 30</u>		<u>Increase (decrease)</u>
	<u>2010</u>	<u>2009</u>	
Employee and guest meals	\$ 58,711	\$ 64,059	\$ (5,348)
Lifeline	63,074	63,884	(810)
Specialty clinics rent	23,985	34,329	(10,344)
Rental income, net	7,126	57,331	(50,205)
Miscellaneous, net	<u>692,484</u>	<u>678,205</u>	<u>14,279</u>
Totals	<u>\$ 845,380</u>	<u>\$ 897,808</u>	<u>\$ (52,428)</u>

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

	<u>Year ended June 30</u>		<u>Increase</u>
	<u>2010</u>	<u>2009</u>	<u>(decrease)</u>
ADMINISTRATIVE			
Salaries	\$ 174,407	\$ 163,393	\$ 11,014
Supplies and expense	<u>8,336</u>	<u>15,412</u>	<u>(7,076)</u>
	<u>182,743</u>	<u>178,805</u>	<u>3,938</u>
MEDICAL AND SURGICAL AND OBSTETRIC			
Salaries	1,204,849	1,166,632	38,217
Supplies and expense	<u>115,503</u>	<u>121,764</u>	<u>(6,261)</u>
	<u>1,320,352</u>	<u>1,288,396</u>	<u>31,956</u>
CRITICAL CARE UNIT			
Salaries	16,576	16,236	340
Supplies and expense	<u>3</u>	<u>1</u>	<u>2</u>
	<u>16,579</u>	<u>16,237</u>	<u>342</u>
LONG TERM CARE			
Salaries	-	687,992	(687,992)
Supplies and expense	<u>-</u>	<u>28,473</u>	<u>(28,473)</u>
	<u>-</u>	<u>716,465</u>	<u>(716,465)</u>
OPERATING AND RECOVERY ROOMS			
Salaries	460,439	318,136	142,303
Supplies and expense	<u>440,783</u>	<u>383,839</u>	<u>56,944</u>
	<u>901,222</u>	<u>701,975</u>	<u>199,247</u>
CENTRAL SUPPLY			
Salaries	22,923	26,934	(4,011)
Supplies and expense	<u>64,218</u>	<u>81,966</u>	<u>(17,748)</u>
	<u>87,141</u>	<u>108,900</u>	<u>(21,759)</u>
EMERGENCY SERVICES			
Salaries	697,480	830,888	(133,408)
Professional fees	1,062,223	1,061,317	906
Supplies and expense	<u>58,690</u>	<u>125,424</u>	<u>(66,734)</u>
	<u>1,818,393</u>	<u>2,017,629</u>	<u>(199,236)</u>
Totals	<u>\$4,326,430</u>	<u>\$5,028,407</u>	<u>\$ (701,977)</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>2010</u>	<u>2009</u>	
LABORATORY AND BLOOD BANK			
Salaries	\$ 451,903	\$ 407,403	\$ 44,500
Professional fees	173,069	153,333	19,736
Supplies and expense	<u>330,291</u>	<u>337,895</u>	<u>(7,604)</u>
	<u>955,263</u>	<u>898,631</u>	<u>56,632</u>
ELECTROCARDIOLOGY			
Salaries	51,942	55,036	(3,094)
Professional fees	4,302	4,032	270
Supplies and expense	<u>19,134</u>	<u>19,273</u>	<u>(139)</u>
	<u>75,378</u>	<u>78,341</u>	<u>(2,963)</u>
RADIOLOGY			
Salaries	463,611	456,898	6,713
Professional fees	207,398	184,575	22,823
Supplies and expense	<u>366,398</u>	<u>447,028</u>	<u>(80,630)</u>
	<u>1,037,407</u>	<u>1,088,501</u>	<u>(51,094)</u>
CT SCANS			
Supplies and expense	<u>217,408</u>	<u>128,276</u>	<u>89,132</u>
MAGNETIC RESONANCE IMAGING			
Professional fees	300,900	367,350	(66,450)
Supplies and expenses	<u>8,114</u>	<u>10,554</u>	<u>(2,440)</u>
	<u>309,014</u>	<u>377,904</u>	<u>(68,890)</u>
PHARMACY			
Salaries	137,276	147,130	(9,854)
Professional fees	12,500	10,250	2,250
Drugs	679,289	610,180	69,109
Supplies and expense	<u>25,127</u>	<u>24,000</u>	<u>1,127</u>
	<u>854,192</u>	<u>791,560</u>	<u>62,632</u>
ANESTHESIOLOGY			
Professional fees	428,270	490,900	(62,630)
Supplies and expense	<u>15,035</u>	<u>22,677</u>	<u>(7,642)</u>
	<u>443,305</u>	<u>513,577</u>	<u>(70,272)</u>
RESPIRATORY THERAPY			
Salaries	43,085	33,355	9,730
Oxygen	13,505	18,611	(5,106)
Supplies and expense	<u>8,275</u>	<u>5,708</u>	<u>2,567</u>
	<u>64,865</u>	<u>57,674</u>	<u>7,191</u>
PHYSICAL THERAPY			
Salaries	13,600	20,481	(6,881)
Professional fees	636,839	562,776	74,063
Supplies and expense	<u>18,791</u>	<u>22,485</u>	<u>(3,694)</u>
	<u>669,230</u>	<u>605,742</u>	<u>63,488</u>
SPEECH THERAPY			
Professional fees	<u>15,416</u>	<u>16,165</u>	<u>(749)</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>2010</u>	<u>2009</u>	
OCCUPATIONAL THERAPY			
Professional fees	\$ 132,319	\$ 111,416	\$ 20,903
Supplies and expense	<u>2,473</u>	<u>2,314</u>	<u>159</u>
	<u>134,792</u>	<u>113,730</u>	<u>21,062</u>
PHYSICIANS CLINIC			
Salaries	861,955	805,090	56,865
Supplies and expense	<u>17,928</u>	<u>31,844</u>	<u>(13,916)</u>
	<u>879,883</u>	<u>836,934</u>	<u>42,949</u>
PEASLEY CLINIC			
Supplies and expense	<u>186,006</u>	<u>122,959</u>	<u>63,047</u>
MEDICAL RECORDS			
Salaries	254,377	246,916	7,461
Supplies and expense	<u>118,771</u>	<u>118,512</u>	<u>259</u>
	<u>373,148</u>	<u>365,428</u>	<u>7,720</u>
QUALITY ASSURANCE			
Salaries	186,569	185,197	1,372
Supplies and expense	<u>18,991</u>	<u>15,023</u>	<u>3,968</u>
	<u>205,560</u>	<u>200,220</u>	<u>5,340</u>
MEDICAL ARTS			
Salaries	211,568	359,779	(148,211)
Supplies and expense	<u>317,704</u>	<u>693,445</u>	<u>(375,741)</u>
	<u>529,272</u>	<u>1,053,224</u>	<u>(523,952)</u>
SLEEP LAB			
Salaries	32,394	16,534	15,860
Supplies and expense	<u>72,105</u>	<u>118,802</u>	<u>(46,697)</u>
	<u>104,499</u>	<u>135,336</u>	<u>(30,837)</u>
DIALYSIS			
Salaries	7,058	1,539	5,519
Supplies and expense	<u>2,867</u>	<u>7,590</u>	<u>(4,723)</u>
	<u>9,925</u>	<u>9,129</u>	<u>796</u>
Totals	<u>\$7,064,563</u>	<u>\$7,393,331</u>	<u>\$ (328,768)</u>

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

	<u>Year ended June 30</u>		<u>Increase</u>
	<u>2010</u>	<u>2009</u>	<u>(decrease)</u>
DIETARY			
Salaries	\$ 314,158	\$ 406,992	\$ (92,834)
Food	98,326	215,746	(117,420)
Supplies and expense	<u>53,122</u>	<u>72,940</u>	<u>(19,818)</u>
	<u>465,606</u>	<u>695,678</u>	<u>(230,072)</u>
PLANT OPERATION AND MAINTENANCE			
Salaries	324,927	357,360	(32,433)
Utilities	472,243	428,867	43,376
Supplies and expense	<u>193,023</u>	<u>120,557</u>	<u>72,466</u>
	<u>990,193</u>	<u>906,784</u>	<u>83,409</u>
BIO MEDICAL			
Salaries	67,009	71,660	(4,651)
Supplies and expense	<u>467</u>	<u>8,765</u>	<u>(8,298)</u>
	<u>67,476</u>	<u>80,425</u>	<u>(12,949)</u>
HOUSEKEEPING			
Salaries	265,641	360,642	(95,001)
Supplies and expense	<u>47,921</u>	<u>67,187</u>	<u>(19,266)</u>
	<u>313,562</u>	<u>427,829</u>	<u>(114,267)</u>
LAUNDRY AND LINEN			
Salaries	88,151	87,043	1,108
Supplies and expense	<u>18,313</u>	<u>43,384</u>	<u>(25,071)</u>
	<u>106,464</u>	<u>130,427</u>	<u>(23,963)</u>
 Totals	 <u>\$1,943,301</u>	 <u>\$2,241,143</u>	 <u>\$ (297,842)</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>2010</u>	<u>2009</u>	<u>(decrease)</u>
FISCAL AND ADMINISTRATIVE SERVICE			
Salaries			
Administrative	\$ 116,223	\$ 256,576	\$ (140,353)
Fiscal and accounting	512,260	491,673	20,587
Purchasing and stores	88,338	59,696	28,642
Public relations	57,046	55,118	1,928
Data processing	95,707	107,533	(11,826)
Human resources	94,343	93,178	1,165
Data processing expense	237,951	270,254	(32,303)
Human resources supplies and expenses	48,123	35,056	13,067
Professional fees	12,511	67,639	(55,128)
Office supplies and expenses	412,895	322,274	90,621
Telephone	56,780	53,034	3,746
Collection fees	40,974	46,141	(5,167)
Purchasing and stores expense	25,204	28,513	(3,309)
Public relations expense	6,642	16,759	(10,117)
UNASSIGNED EXPENSES			
Physician recruiting	35,000	38,444	(3,444)
Insurance	134,715	191,351	(56,636)
Employee benefits			
FICA	500,923	574,793	(73,870)
IPERS	467,670	519,667	(51,997)
Group health insurance	745,803	665,256	80,547
Group disability insurance	36,612	37,854	(1,242)
Workers' compensation	113,358	131,258	(17,900)
Unemployment compensation	27,204	5,532	21,672
Other employee benefits	<u>32,269</u>	<u>14,318</u>	<u>17,951</u>
Totals	<u>\$3,898,551</u>	<u>\$4,081,917</u>	<u>\$ (183,366)</u>

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

	Year ended June 30			
	2010	2009	2008	2007
NET PATIENT SERVICE REVENUE	\$19,323,348	\$18,592,089	\$17,571,190	\$17,528,535
OTHER REVENUE	<u>845,380</u>	<u>897,808</u>	<u>590,136</u>	<u>318,349</u>
Total revenue	<u>20,168,728</u>	<u>19,489,897</u>	<u>18,161,326</u>	<u>17,846,884</u>
EXPENSES				
Salaries	7,315,815	8,293,040	7,746,921	7,219,967
Supplies, professional fees and other expenses	9,917,030	10,451,758	9,345,296	8,963,168
Provision for depreciation	<u>3,039,525</u>	<u>1,812,662</u>	<u>1,172,543</u>	<u>1,215,946</u>
Total expenses	<u>20,272,370</u>	<u>20,557,460</u>	<u>18,264,760</u>	<u>17,399,081</u>
Operating income (loss)	<u>(103,642)</u>	<u>(1,067,563)</u>	<u>(103,434)</u>	<u>447,803</u>
NONOPERATING GAINS (LOSSES)				
County taxes	1,008,295	794,472	760,985	771,104
Investment income and equity in net income (losses) of joint venture investments	285,917	206,004	277,356	436,420
Unrestricted contributions	-	-	107	-
Interest expense	(2,060,805)	(536,361)	(28,157)	(93,854)
Gain (loss) on sale of property and equipment	<u>(575,305)</u>	<u>7,342</u>	<u>42,709</u>	<u>50,876</u>
Total nonoperating gains (losses)	<u>(1,341,898)</u>	<u>471,457</u>	<u>1,053,000</u>	<u>1,164,546</u>
Excess (deficiency) of revenues over expenses before contributions	(1,445,540)	(596,106)	949,566	1,612,349
CONTRIBUTIONS	<u>233,793</u>	<u>268,039</u>	<u>213,922</u>	<u>5,864</u>
Change in fund equity	<u>\$ (1,211,747)</u>	<u>\$ (328,067)</u>	<u>\$ 1,163,488</u>	<u>\$ 1,618,213</u>

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

	Year ended June 30	
	<u>2010</u>	<u>2009</u>
PATIENT DAYS		
Adult and pediatric	<u>1,822</u>	<u>1,900</u>
Swing bed		
Skilled nursing care	<u>1,947</u>	<u>1,775</u>
Long term care	<u>—</u>	<u>10,321</u>
Total patient days	<u><u>3,769</u></u>	<u><u>13,996</u></u>
ADMISSIONS		
Adult and pediatric	497	540
Swing bed	179	210
Long term care	<u>—</u>	<u>12</u>
Total admissions	<u><u>676</u></u>	<u><u>762</u></u>
DISCHARGES		
Adult and pediatric	490	537
Swing bed	179	205
Long term care	<u>—</u>	<u>48</u>
Total discharges	<u><u>669</u></u>	<u><u>790</u></u>
AVERAGE LENGTH OF STAY		
Adult and pediatric	3.72	3.54
Swing bed	10.88	8.66
BEDS		
Adult and pediatric	25	25
Long term care (Through April 2009)	—	36
OCCUPANCY PERCENT		
Adult and pediatric	19.97%	20.82%
Swing bed	21.34%	19.45%
Long term care (Through April 2009)	—	94.31%
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	\$52,941	\$50,937
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES AT END OF YEAR	63	69

**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, 2010, and have issued our report thereon dated October 20, 2010. 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 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*.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2010 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
October 20, 2010

**Jefferson County Hospital
d/b/a Jefferson County Health Center
SCHEDULE OF FINDINGS
Year ended June 30, 2010**

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, 2010**

Part II—Findings Related to Required Statutory Reporting

10-II-A CERTIFIED BUDGET

Based on a comparison of actual operating expenses with budget basis expenditures, it appears the Hospital did not exceed its budget for the year ended June 30, 2010.

10-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Hospital funds were noted.

10-II-C TRAVEL EXPENSES

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

10-II-D BUSINESS TRANSACTIONS

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

10-II-E BOARD MINUTES

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

10-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.