

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

FINANCIAL REPORT

June 30, 2011

CONTENTS

	<u>Page</u>
OFFICIALS	3
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-9
 FINANCIAL STATEMENTS	
Balance sheets	10
Statements of revenues, expenses, and changes in fund equity	11
Statements of cash flows	12-13
Notes to financial statements	14-21
 INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	 22
 SUPPLEMENTARY INFORMATION	
Analysis of patient receivables	23
Analysis of allowance for bad debts	23
Patient service revenue	24
Provisions for contractual adjustments and bad debts	25
Other revenue	25
Expenses	26-27
Comparative statistics	28
 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 <i>GOVERNMENT AUDITING STANDARDS</i>	 29-30
 SCHEDULE OF FINDINGS	 31-32

**Jackson County Regional Health Center
OFFICIALS
June 30, 2011**

BOARD OF TRUSTEES

Expiration of term

Officers

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

December 31, 2012
December 31, 2016
December 31, 2012
December 31, 2012

Members

Eilene Busch
Mike Nickeson
Bob Specht

December 31, 2014
December 31, 2016
December 31, 2014

CHIEF EXECUTIVE OFFICER

Curt Coleman

CHIEF FINANCIAL OFFICER

Donna Roeder

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Jackson County Regional Health Center
Maquoketa, Iowa

We have audited the accompanying balance sheets of Jackson County Regional Health Center as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in fund equity, and cash flows for the years then ended. These financial statements are the responsibility of the Health Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jackson County Regional Health Center as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 15, 2011 on our consideration of Jackson County Regional Health Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 5-9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 15, 2011

Jackson County Regional Health Center MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Jackson County Regional Health Center, we offer readers of the financial statements this narrative overview and analysis of the Health Center's financial performance during the fiscal years ended June 30, 2011 and 2010. Please read it in conjunction with the Health Center's financial statements, which follow this section.

Overview of the Financial Statements

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

Required Financial Statements

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

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

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

Financial Highlights

- Total assets increased by \$493,241, or 2%, to \$23,554,721
- Total assets whose use is limited increased by \$2,091,807 to \$8,509,238
- Total property and equipment decreased by \$904,740 to \$8,751,896
- Total fund equity increased by \$770,363 to \$21,520,965
- Net patient service revenue decreased by \$465,587, or 4%, to \$12,161,874
- Expenses decreased by \$257,469, or 2%, to \$12,623,228

Financial Analysis of the Health Center

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

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

**Table 1
Condensed Balance Sheets**

	June 30		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 5,443,587	\$ 6,137,413	\$ 5,812,195
Assets whose use is limited	8,509,238	6,417,431	5,350,108
Property and equipment	8,751,896	9,656,636	9,882,483
Other asset	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>
Total assets	<u>\$23,554,721</u>	<u>\$23,061,480</u>	<u>\$21,894,786</u>
Current liabilities	\$ 1,183,756	\$ 1,460,878	\$ 1,276,246
Other noncurrent liabilities	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>
Total liabilities	<u>\$ 2,033,756</u>	<u>\$ 2,310,878</u>	<u>\$ 2,126,246</u>
Invested in capital assets, net of related debt	\$ 8,751,896	\$ 9,656,636	\$ 9,882,483
Unrestricted	<u>12,769,069</u>	<u>11,093,966</u>	<u>9,886,057</u>
Total fund equity	<u>\$21,520,965</u>	<u>\$20,750,602</u>	<u>\$19,768,540</u>

As depicted in Table 1, total assets increased in fiscal year 2011 to \$23,554,721. The change in total assets results primarily from an increase in assets whose use is limited as a result of net cash provided by operating activities.

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

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

	Year ended June 30		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net patient service revenue	\$12,161,874	\$12,627,461	\$13,948,689
Other revenue	<u>199,989</u>	<u>153,541</u>	<u>150,809</u>
Total revenue	<u>12,361,863</u>	<u>12,781,002</u>	<u>14,099,498</u>
Salaries	5,205,948	5,432,883	6,232,624
Supplies and expenses	6,260,527	6,293,404	7,000,683
Provision for depreciation	<u>1,156,753</u>	<u>1,154,410</u>	<u>1,243,991</u>
Total expenses	<u>12,623,228</u>	<u>12,880,697</u>	<u>14,477,298</u>
Operating (loss)	<u>(261,365)</u>	<u>(99,695)</u>	<u>(377,800)</u>
County taxes	856,973	850,906	846,576
Investment income	123,273	162,405	108,894
Gain on sale of equipment	12,621	36,718	-
Unrestricted contributions	<u>38,861</u>	<u>31,728</u>	<u>31,615</u>
Total nonoperating gains	<u>1,031,728</u>	<u>1,081,757</u>	<u>987,085</u>
Change in fund equity	770,363	982,062	609,285
Total fund equity, beginning	<u>20,750,602</u>	<u>19,768,540</u>	<u>19,159,255</u>
Total fund equity, ending	<u>\$21,520,965</u>	<u>\$20,750,602</u>	<u>\$19,768,540</u>

Operating and Financial Performance

The following summarizes the Health Center's statements of revenues, expenses and changes in fund equity between June 30, 2011 and 2010.

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

Volume: Medical, surgical and obstetrical discharges for fiscal year 2011 were 210 compared to 315 in fiscal year 2010. Average length of stay was 2.94 for fiscal year 2011 compared to 2.73 in fiscal year 2010 as patient days decreased to 617 from 859 in 2010. Volume on the outpatient side indicated positive growth in 2011. In 2011, gross outpatient charges increased to \$16,626,642 compared to \$15,928,428 in 2010. Emergency service and radiology reflected the most significant increases in 2011.

Price Increase: As is customary annually, the Health Center did review its charge structure and incorporated certain price increases in 2011. Overall, gross patient service revenue decreased to \$18,300,699 from \$18,667,726 in 2010.

Payor Mix: The Health Center is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. Contractual adjustments and bad debts were \$6,138,825 in 2011 compared to \$6,040,265 in 2010, representing 34% and 32% of gross patient charges for 2011 and 2010, 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>2011</u>	<u>2010</u>	<u>2009</u>
Medicare	46%	46%	46%
Medicaid	13	16	15
Commercial insurance	35	31	31
Patients	<u>6</u>	<u>7</u>	<u>8</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue increased to \$199,989 in 2011 compared to \$153,541 in 2010 primarily due to increased grant revenues.

Expenses

Approximately 41% of Health Center's expenses are for salaries. Total salaries decreased by 4% to \$5,205,948 in 2011 from \$5,432,883 in 2010. The Health Center departments experiencing the most significant decreases in 2011 were medical, surgical and obstetrical, intermediate care and dialysis.

Approximately 50% of Health Center's expenses are for supplies and expenses. Total supplies and expenses decreased by 1% to \$6,260,527 in 2011 from \$6,293,404 in 2010. Emergency service experienced a significant increase from 2011, while pharmacy experienced a significant decrease.

Approximately 9% of Health Center's expenses relate to provision for depreciation. The provision for depreciation increased to \$1,156,753 in 2011 from \$1,154,410 in 2010.

Nonoperating Gains

Nonoperating gains decreased to \$1,031,728 from \$1,081,757 in 2010 primarily due to a decrease in investment income.

Property and Equipment

At the end of 2011, the Health Center had \$8,751,896 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 2011, \$343,966 was spent to acquire new equipment.

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

**Table 4
Property and Equipment**

	June 30		
	2011	2010	2009
Land	\$ 134,101	\$ 134,101	\$ 134,101
Land improvements	170,710	170,710	134,461
Building and improvement	15,874,729	15,883,898	15,379,888
Major movable equipment	5,781,635	5,666,865	6,241,189
Equipment additions in process	—	<u>107,042</u>	—
Subtotal	21,961,175	21,962,616	21,889,639
Less accumulated depreciation	<u>(13,209,279)</u>	<u>(12,305,980)</u>	<u>(12,007,156)</u>
Property and equipment	<u>\$ 8,751,896</u>	<u>\$ 9,656,636</u>	<u>\$ 9,882,483</u>

Performance Compared to County Hospital Budget

The Health Center prepares its annual County Hospital budget on the cash basis, which differs from generally accepted accounting principles, GAAP basis. More detailed information as to major differences between County Hospital cash and GAAP bases are presented in the Notes to Financial Statements. A comparison of the Health Center's fiscal year 2011 actual cash basis financial information to its annual County Hospital budget is presented in Table 5.

**Table 5
Actual vs Budget**

	Actual cash basis	Annual County Hospital budget	Variance
Amount to be raised by taxation	\$ 856,973	\$ 828,049	\$ 28,924
Other revenues/receipts	<u>12,536,618</u>	<u>13,477,892</u>	<u>(941,274)</u>
	13,393,591	14,305,941	(912,350)
Expenses/expenditures	<u>11,810,441</u>	<u>15,802,941</u>	<u>(3,992,500)</u>
Net	<u>\$ 1,583,150</u>	<u>\$ (1,497,000)</u>	<u>\$ 3,080,150</u>

Actual other revenues/receipts results were lower than County Hospital budget primarily due to lower than expected patient volumes during the current year. Expenses/expenditures were lower than County Hospital budget primarily due to less equipment and construction costs.

Economic and Other Factors and Next Year's Budget

The Health Center's board and management considered many factors when setting the fiscal year 2012 budget. Of primary importance are the market forces and environmental factors impacting healthcare such as:

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

Contacting Health Center's Management

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

**Jackson County Regional Health Center
BALANCE SHEETS**

ASSETS	June 30	
	2011	2010
CURRENT ASSETS		
Cash	\$ 3,021,791	\$ 3,333,466
Patient receivables, less allowances for contractual adjustments and bad debts	1,790,437	1,687,160
Other receivables	22,012	28,814
Estimated third-party payor settlements	50,000	675,000
Inventories	418,291	298,707
Prepaid expenses	<u>141,056</u>	<u>114,266</u>
Total current assets	<u>5,443,587</u>	<u>6,137,413</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Cash	3,938,788	2,419,218
Certificates of deposit	<u>4,570,450</u>	<u>3,998,213</u>
Total assets whose use is limited	<u>8,509,238</u>	<u>6,417,431</u>
PROPERTY AND EQUIPMENT		
Less accumulated depreciation	21,961,175	21,962,616
Total property and equipment	<u>13,209,279</u>	<u>12,305,980</u>
	<u>8,751,896</u>	<u>9,656,636</u>
OTHER ASSET		
Succeeding year property tax receivable	<u>850,000</u>	<u>850,000</u>
Totals	<u>\$23,554,721</u>	<u>\$23,061,480</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 453,515	\$ 657,829
Accrued employee compensation	584,728	584,112
Payroll taxes and amounts withheld from employees	100,513	93,937
Estimated third-party payor settlements	45,000	125,000
Total current liabilities	<u>1,183,756</u>	<u>1,460,878</u>
DEFERRED REVENUE FOR SUCCEEDING YEAR PROPERTY TAX RECEIVABLE		
	<u>850,000</u>	<u>850,000</u>
FUND EQUITY		
Invested in capital assets, net of related debt	8,751,896	9,656,636
Unrestricted	<u>12,769,069</u>	<u>11,093,966</u>
Total fund equity	<u>21,520,965</u>	<u>20,750,602</u>
Totals	<u>\$23,554,721</u>	<u>\$23,061,480</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2011	2010
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2011 \$824,490; 2010 \$779,723	\$12,161,874	\$12,627,461
OTHER REVENUE	<u>199,989</u>	<u>153,541</u>
Total revenue	<u>12,361,863</u>	<u>12,781,002</u>
EXPENSES		
Nursing service	3,881,662	3,999,648
Other professional service	3,434,066	3,599,262
General service	1,193,982	1,210,398
Fiscal and administrative service and unassigned expenses	2,956,765	2,916,979
Provision for depreciation	<u>1,156,753</u>	<u>1,154,410</u>
Total operating expenses	<u>12,623,228</u>	<u>12,880,697</u>
Operating (loss)	<u>(261,365)</u>	<u>(99,695)</u>
NONOPERATING GAINS		
County taxes	856,973	850,906
Investment income	123,273	162,405
Gain on sale of equipment	12,621	36,718
Unrestricted contributions	<u>38,861</u>	<u>31,728</u>
Total nonoperating gains	<u>1,031,728</u>	<u>1,081,757</u>
Change in fund equity	770,363	982,062
TOTAL FUND EQUITY		
Beginning	<u>20,750,602</u>	<u>19,768,540</u>
Ending	<u>\$21,520,965</u>	<u>\$20,750,602</u>

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

	Year ended June 30	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$12,603,597	\$12,434,628
Cash paid to suppliers for goods and services	(6,607,750)	(6,005,558)
Cash paid to employees for services	(5,205,332)	(5,478,583)
Other operating revenue received	<u>199,989</u>	<u>153,541</u>
Net cash provided by operating activities	<u>990,504</u>	<u>1,104,028</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes	856,973	850,906
Contributions received	<u>38,861</u>	<u>31,728</u>
Net cash provided by noncapital financing activities	<u>895,834</u>	<u>882,634</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(263,819)	(991,845)
Proceeds from sale of equipment	<u>24,427</u>	<u>100,000</u>
Net cash (used in) capital and related financial activities	<u>(239,392)</u>	<u>(891,845)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(572,237)	(456,001)
Interest received	<u>133,186</u>	<u>168,900</u>
Net cash (used in) investing activities	<u>(439,051)</u>	<u>(287,101)</u>
NET INCREASE IN CASH	1,207,895	807,716
CASH		
Beginning	<u>5,752,684</u>	<u>4,944,968</u>
Ending	<u>\$ 6,960,579</u>	<u>\$ 5,752,684</u>

See Notes to Financial Statements.

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

	<u>Year ended June 30</u>	
	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating (loss)	\$ (261,365)	\$ (99,695)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	1,156,753	1,154,410
Changes in assets and liabilities		
Patient receivables	(103,277)	328,667
Other receivables	(3,111)	3,232
Net estimated third-party payor settlements	545,000	(521,500)
Inventories	(119,584)	96,492
Prepaid expenses	(26,790)	22,790
Accounts payable	(204,314)	169,470
Accrued employee compensation	616	(45,700)
Payroll taxes and amounts withheld from employees	<u>6,576</u>	<u>(4,138)</u>
Net cash provided by operating activities	<u>\$ 990,504</u>	<u>\$1,104,028</u>
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Per balance sheet		
Current assets, cash	\$3,021,791	\$3,333,466
Assets whose use is limited		
Designated by board for plant replacement and expansion, cash	<u>3,938,788</u>	<u>2,419,218</u>
Total per statement of cash flows	<u>\$6,960,579</u>	<u>\$5,752,684</u>

Jackson County Regional Health Center
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Measurement Focus and Basis of Accounting

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

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

Accounting Standards

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

Investments and Investment Income

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

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

Investment income is reported as nonoperating gains.

Inventories

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

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

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

Property Tax Receivable

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of the year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Deferred Revenue for Succeeding Year Property Tax Receivable

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

Fund Equity

Fund equity is presented in the following three components:

Invested in capital assets, net of related debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of long-term debt that are attributable to the acquisition, construction, or improvement of those assets. The Health Center has no long-term debt.

Restricted

Restricted fund equity consists of funds on which constraints have been externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws or regulations of other governments. The Health Center has no restricted fund equity.

Unrestricted

Unrestricted fund equity has no externally imposed restrictions on use.

Charity Care

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

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Patient Service Revenue

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

Revenues, Expenses, and Changes in Fund Equity

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

Credit Policy

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

Accounting Estimates and Assumptions

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

NOTE 2 CASH

The Health Center's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance, collateralized securities, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

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

NOTE 3 PATIENT RECEIVABLES

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

	<u>Year ended June 30</u>	
	<u>2011</u>	<u>2010</u>
Medicare	\$ 707,157	\$ 775,414
Medicaid	185,997	216,262
Commercial insurance	904,972	596,222
Patients	<u>717,311</u>	<u>789,262</u>
Total patient receivables	2,515,437	2,377,160
Less allowances for contractual adjustments and bad debts	<u>(725,000)</u>	<u>(690,000)</u>
Net patient receivables	<u>\$1,790,437</u>	<u>\$1,687,160</u>

NOTE 4 PROPERTY AND EQUIPMENT

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

	<u>June 30, 2011</u>		<u>June 30, 2010</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 134,101	\$ -	\$ 134,101	\$ -
Land improvements	170,710	124,560	170,710	118,130
Building and improvements	15,874,729	8,690,157	15,883,898	7,972,999
Major movable equipment	5,781,635	4,394,562	5,666,865	4,214,851
Equipment additions in process	<u>-</u>	<u>-</u>	<u>107,042</u>	<u>-</u>
Totals	<u>\$21,961,175</u>	<u>\$13,209,279</u>	<u>\$21,962,616</u>	<u>\$12,305,980</u>

A summary of changes in property and equipment for the year ended June 30, 2011 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending balance</u>
Land	\$ 134,101	\$ -	\$ -	\$ -	\$ 134,101
Land improvements	170,710	-	-	-	170,710
Building and improvements	15,883,898	70,978	80,147	-	15,874,729
Major movable equipment	5,666,865	272,988	265,260	107,042	5,781,635
Equipment additions in process	<u>107,042</u>	<u>-</u>	<u>-</u>	<u>(107,042)</u>	<u>-</u>
Totals	21,962,616	343,966	345,407	-	21,961,175
Less accumulated depreciation	<u>(12,305,980)</u>	<u>(1,156,753)</u>	<u>(253,454)</u>	<u>-</u>	<u>(13,209,279)</u>
Net property and equipment	<u>\$ 9,656,636</u>	<u>\$ (812,787)</u>	<u>\$ 91,953</u>	<u>\$ -</u>	<u>\$ 8,751,896</u>

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

NOTE 4 PROPERTY AND EQUIPMENT (continued)

A summary of changes in property and equipment for the year ended June 30, 2010 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 134,101	\$ —	\$ —	\$ 134,101
Land improvements	134,461	36,249	—	170,710
Building and improvements	15,379,888	604,652	100,642	15,883,898
Major movable equipment	6,241,189	344,544	918,868	5,666,865
Equipment additions in process	—	<u>107,042</u>	—	<u>107,042</u>
Totals	<u>21,889,639</u>	<u>1,092,487</u>	<u>1,019,510</u>	<u>21,962,616</u>
Less accumulated depreciation	<u>(12,007,156)</u>	<u>(1,154,410)</u>	<u>(855,586)</u>	<u>(12,305,980)</u>
Net property and equipment	<u>\$ 9,882,483</u>	<u>\$ (61,923)</u>	<u>\$ 163,924</u>	<u>\$ 9,656,636</u>

NOTE 5 NET PATIENT SERVICE REVENUE

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

Medicare and Medicaid

The Health Center is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Health Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the fiscal intermediary. The Health Center's classification of patients under the programs and the appropriateness of their admission are subject to an independent review by peer review organizations. The Health Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2009.

Other

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

NOTE 6 DEFINED BENEFIT PENSION PLAN

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

For the year ended June 30, 2011 regular plan members were required to contribute 4.5% of their annual salary and the Health Center is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The Health Center's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$372,348, \$363,594 and \$395,844, respectively, equal to the required contributions for each year.

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

NOTE 7 CHARITY CARE

The Health Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Charges foregone, based on established rates	\$ <u>108,776</u>	\$ <u>86,415</u>
Equivalent percentage of charity care patients to all patients served	<u>.6%</u>	<u>.5%</u>

NOTE 8 MALPRACTICE CLAIMS

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

The Health Center 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 impact on the financial position or the results of operations of the Health Center.

Incidents occurring through June 30, 2011 may result in the assertion of claims. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them, however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 9 MEDICAL BENEFIT PLAN

The Health Center has entered into a self-insured medical benefit plan for virtually all employees. The plan is funded by both Health Center and employee contributions. Claims for health care services for employees and their families are accrued when reported by the claims administrator. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$40,000 per person, with an aggregate stop-loss provision for the plan as a whole of approximately \$845,000. Total expenses, which include claims, administration and stop-loss insurance premiums, under this plan for the years ended June 30, 2011 and 2010 were \$597,940 and \$460,698, respectively, included in fiscal and administrative and unassigned expenses.

NOTE 10 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING

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

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

NOTE 10 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING (continued)

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

	<u>GAAP basis</u>	<u>Cash basis adjustments</u>	<u>Cash basis</u>	<u>County Hospital Budget</u>
Amount to be raised by taxation	\$ 856,973	\$ -	\$ 856,973	\$ 828,049
Other revenues/receipts	<u>12,536,618</u>	<u>-</u>	<u>12,536,618</u>	<u>13,477,892</u>
	13,393,591	-	13,393,591	14,305,941
Expenses/expenditures	<u>12,623,228</u>	<u>(812,787)</u>	<u>11,810,441</u>	<u>15,802,941</u>
Net	770,363	812,787	1,583,150	(1,497,000)
Balance, beginning	<u>20,750,602</u>	<u>(7,197,171)</u>	<u>13,553,431</u>	<u>9,182,250</u>
Balance, ending	<u>\$21,520,965</u>	<u>\$(6,384,384)</u>	<u>\$15,136,581</u>	<u>\$ 7,685,250</u>

NOTE 11 OTHER POST EMPLOYMENT BENEFITS

The Health Center implemented Governmental Accounting Standards Board, GASB, Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2010. The Health Center operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses and dependents. There were 89 active members, 6 retired members and 2 members who were spouses of retirees in the plan as of the most recent actuarial valuation date. Participants must be age 55 or older at retirement.

The medical benefit plan is self-insured and is administered by a third party. Retirees under age 65 pay 100% of the full active employee premium rates. This results in an implicit subsidy and an Other Post Employment Benefit, OPEB, liability. The contribution requirements of plan members are established and may be amended by the Health Center. The Health Center currently finances the retiree benefit plan on a pay-as-you-go basis.

The Health Center's annual OPEB cost is calculated based on the annual required contribution, ARC, of the Health Center, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Health Center's annual OPEB cost, the amount actually contributed to the plan and changes in the Health Center's net OPEB obligation:

	<u>Year ended June 30</u>	
	<u>2011</u>	<u>2010</u>
Annual required contribution, ARC	\$ 10,000	\$ 10,000
Interest on net OPEB obligation	100	-
Adjustment to annual required contribution	<u>(200)</u>	<u>-</u>
Annual OPEB cost	9,900	10,000
Contributions made	<u>6,000</u>	<u>6,000</u>
Increase in net OPEB obligation	3,900	4,000
Net OPEB obligation, beginning of year	<u>4,000</u>	<u>-</u>
Net OPEB obligation, end of year	<u>\$ 7,900</u>	<u>\$ 4,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the years ended June 30, 2011 and 2010.

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

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (continued)

For each of the years ended June 30, 2011 and 2010, the Health Center contributed \$6,000 to the plan. The Health Center's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 and 2010 are summarized as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
June 30, 2011	\$ <u>9,900</u>	<u>61%</u>	\$ <u>7,900</u>
June 30, 2010	\$ <u>10,000</u>	<u>60%</u>	\$ <u>4,000</u>

As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$120,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$120,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,054,000, and the ratio of the UAAL to the covered payroll was 3%. As of June 30, 2011, there were no trust fund assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Following is a Schedule of Funding Progress for the Plan for the initial year of adoption of GASB Statement No. 45:

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
7/1/2010	\$ <u>—</u>	\$ <u>120,000</u>	\$ <u>120,000</u>	<u>0%</u>	\$ <u>4,059,000</u>	<u>3%</u>

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3% discount rate based on the Health Center's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Rates, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Actuary's Pension Handbook.

Projected claim costs of the medical plan are approximately \$509 per month for single retirees. The UAAL is being amortized as a level dollar amount over a period of 30 years.

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
Jackson County Regional Health Center
Maquoketa, Iowa

Our report on our audits of the basic financial statements of Jackson County Regional Health Center for 2011 and 2010 appears on page 4. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 15, 2011

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

<u>Age of accounts (by date of discharge)</u>	<u>Amounts</u>		<u>Percent to total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
0 - 30 days (includes patients in Health Center at end of year)	\$1,526,118	\$1,440,162	60.67%	60.58%
31 - 60 days	318,650	382,565	12.67	16.09
61 - 90 days	164,564	151,891	6.54	6.39
91 - 180 days	232,357	164,853	9.24	6.94
Over 180 days	<u>273,748</u>	<u>237,689</u>	<u>10.88</u>	<u>10.00</u>
Totals	<u>2,515,437</u>	<u>2,377,160</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	190,000	270,000		
Medicaid	60,000	100,000		
Other	165,000	50,000		
Bad debts	<u>310,000</u>	<u>270,000</u>		
Total allowances	<u>725,000</u>	<u>690,000</u>		
Totals	<u>\$1,790,437</u>	<u>\$1,687,160</u>		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	<u>\$ 33,320</u>	<u>\$ 34,596</u>		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	<u>54</u>	<u>49</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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
BALANCE , beginning	\$ 270,000	\$ 300,000		
ADD				
Provision for bad debts	824,490	779,723	6.78%	6.17%
Recoveries of accounts previously written off	<u>190,754</u>	<u>162,556</u>	1.57	1.29
	1,285,244	1,242,279		
DEDUCT				
Accounts written off	<u>975,244</u>	<u>972,279</u>	8.02	7.70
BALANCE , ending	<u>\$ 310,000</u>	<u>\$ 270,000</u>		

Jackson County Regional Health Center
PATIENT SERVICE REVENUE
Year ended June 30, 2011, with comparative totals for 2010

	<u>2011</u>			<u>2010</u>
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
DAILY PATIENT SERVICES				
Medical, surgical and obstetrical	\$ 451,957	\$ 146,025	\$ 597,982	\$ 765,699
Skilled care	187,705	-	187,705	255,584
Intermediate care	-	-	-	174,548
Nursery	-	-	-	107,641
	<u>639,662</u>	<u>146,025</u>	<u>785,687</u>	<u>1,303,472</u>
OTHER NURSING SERVICES				
Operating and recovery rooms	76,992	1,713,961	1,790,953	1,754,189
Delivery and labor rooms	-	-	-	47,597
Central supply	56,347	522,846	579,193	602,811
Emergency service	17,034	3,124,119	3,141,153	2,845,748
Ambulance	12,925	1,166,909	1,179,834	1,167,630
Community health	-	<u>772,975</u>	<u>772,975</u>	<u>714,180</u>
	<u>163,298</u>	<u>7,300,810</u>	<u>7,464,108</u>	<u>7,132,155</u>
OTHER PROFESSIONAL SERVICES				
Laboratory	227,228	1,897,086	2,124,314	2,061,685
Radiology	133,662	4,458,004	4,591,666	4,400,148
Nuclear medicine	3,247	46,819	50,066	59,387
Pharmacy	290,402	530,394	820,796	1,033,989
Anesthesiology	44,131	688,322	732,453	743,651
Dialysis	-	-	-	203,112
Respiratory therapy	84,731	204,248	288,979	348,858
Sleep study	-	10,014	10,014	-
Cardiac rehabilitation	-	119,312	119,312	128,930
Physical therapy	88,521	575,500	664,021	620,813
Speech therapy	11,129	45,246	56,375	42,875
Occupational therapy	45,925	69,910	115,835	100,864
Diabetic education	-	23,339	23,339	29,991
General surgery	50,897	454,046	504,943	488,662
Specialty clinics	-	<u>57,567</u>	<u>57,567</u>	<u>55,549</u>
	<u>979,873</u>	<u>9,179,807</u>	<u>10,159,680</u>	<u>10,318,514</u>
Totals	<u>\$1,782,833</u>	<u>\$16,626,642</u>	18,409,475	18,754,141
Charity care charges foregone, based on established rates			<u>(108,776)</u>	<u>(86,415)</u>
Total gross patient service revenue			18,300,699	18,667,726
Provisions for contractual adjustments and bad debts			<u>(6,138,825)</u>	<u>(6,040,265)</u>
Total net patient service revenue			<u>\$12,161,874</u>	<u>\$12,627,461</u>

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

	Year ended June 30	
	2011	2010
Contractual adjustments		
Medicare	\$2,512,570	\$2,445,489
Medicaid	1,027,691	1,306,709
Other adjustments	1,774,074	1,508,344
Provision for bad debts	<u>824,490</u>	<u>779,723</u>
 Totals	 <u>\$6,138,825</u>	 <u>\$6,040,265</u>

OTHER REVENUE

	Year ended June 30	
	2011	2010
Meals on Wheels	\$ -	\$ 9,804
Home delivered meals	4,818	6,454
Purchase discounts	15,089	19,986
Grants	117,932	78,579
Miscellaneous	<u>62,150</u>	<u>38,718</u>
 Totals	 <u>\$ 199,989</u>	 <u>\$ 153,541</u>

Jackson County Regional Health Center
EXPENSES
Year ended June 30, 2011, with comparative totals for 2010

	<u>2011</u>			<u>2010</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
NURSING SERVICE				
Nursing administration	\$ 165,459	\$ 10,319	\$ 175,778	\$ 146,723
Medical, surgical and obstetrical	687,536	38,173	725,709	900,220
Intermediate care	-	-	-	138,812
Nursery	-	-	-	19
Operating and recovery rooms	210,684	99,874	310,558	328,131
Central supply	11,433	232,105	243,538	234,754
Emergency service	458,602	966,855	1,425,457	1,340,735
Ambulance	406,550	39,113	445,663	388,917
Community health	<u>452,679</u>	<u>102,280</u>	<u>554,959</u>	<u>521,337</u>
Total nursing service	<u>2,392,943</u>	<u>1,488,719</u>	<u>3,881,662</u>	<u>3,999,648</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	283,802	429,879	713,681	741,923
Radiology	305,678	445,790	751,468	750,683
Pharmacy	131,808	276,933	408,741	604,246
Anesthesiology	309,745	15,366	325,111	318,089
Dialysis	-	-	-	73,616
Respiratory therapy	18,520	7,060	25,580	31,501
Sleep study	-	18,510	18,510	-
Cardiac rehabilitation	41,925	6,988	48,913	48,916
Physical therapy	94,322	310,647	404,969	379,269
Speech therapy	-	25,720	25,720	18,316
Occupational therapy	-	66,647	66,647	52,396
Diabetic education	43,162	1,869	45,031	46,591
General surgery	276,430	32,954	309,384	278,975
Specialty clinics	13,969	3,002	16,971	12,908
Medical records	207,277	65,898	273,175	236,055
Social services	-	165	165	5,778
Total other professional service	<u>1,726,638</u>	<u>1,707,428</u>	<u>3,434,066</u>	<u>3,599,262</u>
GENERAL SERVICE				
Dietary	143,264	29,791	173,055	213,087
Operation of plant	225,483	577,898	803,381	772,690
Housekeeping	145,663	25,679	171,342	174,464
Laundry	<u>25,953</u>	<u>20,251</u>	<u>46,204</u>	<u>50,157</u>
Total general service	<u>540,363</u>	<u>653,619</u>	<u>1,193,982</u>	<u>1,210,398</u>
FISCAL AND ADMINISTRATIVE SERVICE				
Administrative	40,576	534,550	575,126	546,687
Accounting	138,855	4,554	143,409	130,723
Business office	171,686	100,791	272,477	279,618
Human resources	95,539	21,819	117,358	123,369
Purchasing	90,098	15,952	106,050	107,378
Employee health	9,250	694	9,944	7,947
Data processing	-	135,765	135,765	121,364

Jackson County Regional Health Center
EXPENSES (continued)
Year ended June 30, 2011, with comparative totals for 2010

	<u>2011</u>			<u>2010</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
UNASSIGNED EXPENSES				
FICA	\$ —	\$ 361,559	\$ 361,559	\$ 382,716
IPERS	—	372,348	372,348	363,594
Group health, life and other benefits	—	682,793	682,793	645,597
Workers compensation Insurance	—	77,736	77,736	102,963
Insurance	—	<u>102,200</u>	<u>102,200</u>	<u>105,023</u>
Total fiscal and administrative service and unassigned expenses	<u>546,004</u>	<u>2,410,761</u>	<u>2,956,765</u>	<u>2,916,979</u>
PROVISION FOR DEPRECIATION	<u>—</u>	<u>1,156,753</u>	<u>1,156,753</u>	<u>1,154,410</u>
Total expenses	<u>\$5,205,948</u>	<u>\$7,417,280</u>	<u>\$12,623,228</u>	<u>\$12,880,697</u>

**Jackson County Regional Health Center
COMPARATIVE STATISTICS**

	Year ended June 30	
	<u>2011</u>	<u>2010</u>
PATIENT DAYS		
Medical, surgical and obstetrical	617	859
Swing bed		
Skilled care	583	812
Intermediate care	-	864
Nursery	<u>-</u>	<u>112</u>
Totals	<u><u>1,200</u></u>	<u><u>2,647</u></u>
DISCHARGES		
Medical, surgical and obstetrical	210	315
Swing bed		
Skilled care	68	82
Intermediate care	-	16
Nursery	<u>-</u>	<u>49</u>
Totals	<u><u>278</u></u>	<u><u>462</u></u>
AVERAGE LENGTH OF STAY		
Medical, surgical and obstetrical	2.94	2.73
Swing bed		
Skilled care	8.57	9.90
Intermediate care	-	54.00
Nursery	-	2.29

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

Board of Trustees
Jackson County Regional Health Center
Maquoketa, Iowa

We have audited the financial statements of Jackson County Regional Health Center as of and for the year ended June 30, 2011, and have issued our report thereon dated August 15, 2011. 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 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 Health Center'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 the Health Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Health Center's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Health Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part II of the accompanying Schedule of Findings.

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



DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 15, 2011

**Jackson County Regional Health Center
SCHEDULE OF FINDINGS
Year ended June 30, 2011**

Part I—Findings Related to the Financial Statements

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

**Jackson County Regional Health Center
SCHEDULE OF FINDINGS
Year ended June 30, 2011**

Part II—Findings Related to Required Statutory Reporting

11-II-A CERTIFIED BUDGET

Based on a comparison of actual budget basis expenditures with County Hospital budgeted expenditures, it appears the Health Center did not exceed its budget for the year ended June 30, 2011.

11-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Health Center funds were noted.

11-II-C TRAVEL EXPENSES

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

11-II-D BUSINESS TRANSACTIONS

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

11-II-E BOARD MINUTES

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

11-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.