

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

**FINANCIAL REPORT**

**June 30, 2011**

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**Jefferson County Hospital  
d/b/a Jefferson County Health Center  
OFFICIALS  
June 30, 2011**

**After January 2011**

**BOARD OF TRUSTEES**

**Expiration of term**

**Officers**

Bob Keller, Chair	December 31, 2016
Tom Kunkle, Vice Chair	December 31, 2012
Renee Rebling, Secretary/Treasurer	December 31, 2016

**Members**

Grace Bogaards	December 31, 2014
Julie Greeson	December 31, 2014
Randy Menke	December 31, 2012
Merlin Miller	December 31, 2014

**CHIEF EXECUTIVE OFFICER**

Deborah Cardin

**CHIEF FINANCIAL OFFICER**

Eugene Irwin

**Before January 2011**

**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**

Renee Rebling	December 31, 2010
Dorian Atwood (through December 2010)	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, 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 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, 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 our report dated October 4, 2011, 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 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  
October 4, 2011

**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, 2011, 2010 and 2009. 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 \$ 3,960,149 from FY 2010 to \$54,034,147 following a decrease in FY 2010 of \$2,286,361.
- Property and equipment decreased from FY 2010 by \$6,453,313, following a decrease of \$3,200,921 in FY 2010.
- Total debt decreased from FY 2010 by \$1,305,394, following a decrease of \$662,237 in FY 2010.
- Fund equity decreased in FY 2011 by \$3,609,437 and decreased by \$1,211,747 in FY 2010.
- Net patient service revenue increased from FY 2010 by \$1,220,476. This followed an increase in FY 2010 of \$731,259.
- Expenses decreased from FY 2010 by \$121,513 or 0.1%. This is due to reductions in depreciation expense.
- Total margin for FY 2011 was (17.1%), compared to (6.0%) for FY 2010. The larger negative margin in FY 11 was due to a loss associated with the sale of the old hospital and other properties that totaled (\$4,338,619).

## 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, 2011, 2010 and 2009, are presented in Table 1 below.

**Table 1**  
**Condensed Balance Sheets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Dollar Change</u>	<u>Total % Change</u>	<u>June 30, 2009</u>
Current and other assets	\$20,082,914	\$17,589,750	\$2,493,164	14%	\$16,675,190
Capital assets	\$33,951,233	\$40,404,546	(\$6,453,313)	(16%)	\$43,605,467
Total Assets	<u>\$54,034,147</u>	<u>\$57,994,296</u>	<u>(\$3,960,149)</u>	<u>(7%)</u>	<u>\$60,280,657</u>
Long-term debt outstanding	\$35,250,000	\$36,518,204	(\$1,268,204)	(3%)	\$37,180,364
Other liabilities	\$4,801,019	\$3,883,527	\$917,492	24%	\$4,295,981
Total liabilities	<u>\$40,051,019</u>	<u>\$40,401,731</u>	<u>(\$350,712)</u>	<u>(1%)</u>	<u>\$41,476,345</u>
Total fund equity	<u>\$13,983,128</u>	<u>\$17,592,565</u>	<u>(\$3,609,437)</u>	<u>(21%)</u>	<u>\$18,804,312</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, 2011, 2010 and 2009.

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

	Year ended June 30,		
	2011	2010	2009
Total revenue	\$21,165,700	\$20,168,728	\$19,489,897
Expenses	\$20,150,857	\$20,272,370	\$20,557,460
Operating (loss)	\$1,014,843	(\$103,642)	(\$1,067,563)
Non-operating gains (losses)	(\$5,042,817)	(\$1,341,898)	\$471,457
Excess (deficiency) of revenues over expenses	(\$4,027,974)	(\$1,445,540)	(\$596,106)
Other changes in fund equity-contributions	\$418,537	\$233,793	\$268,039
Total fund equity, beginning	\$17,592,565	\$18,804,312	\$19,132,379
Total fund equity, ending	\$13,983,128	\$17,592,565	\$18,804,312

### Operating and Financial Performance

**Volume:** Acute inpatient admissions for fiscal year 2011 were 552 compared to 497 in fiscal year 2010. Acute patient days increased by 15% compared to FY 2010 because of the increased admissions and a slight increase in length of stay. Swing bed admissions increased by 32% for FY 2011 to a total of 236 admissions. Swing bed patient days increased by 20% due to the increased admissions. Average swing bed length of stay decreased from 10.9 days to 9.9 days. Outpatient visits increased by 4.5% to 425,512 visits in FY 2011. Operating room procedures were 4.0% below FY 2010's level due to a decrease in minor surgical procedures. Outpatient and inpatient surgeries were up 6% and 7% respectively. Total operating room procedures in FY 2011 were 555 surgeries compared to 579 in FY 2010 with 78% of the surgeries being outpatient procedures.

**Net Patient Service Revenue:** Because of an increase in inpatient and swing bed days, net patient service revenues increased by \$1,220,476 or 6% compared to fiscal year 2010. During the fiscal year, Jefferson County Health Center's contractual allowances (the difference between billed charges and paid charges from third party payors) decreased by \$359,616 or 3% over FY 2010. The majority of the decrease came from Wellmark and Medicaid contractual allowance decreases.

The following table presents the relative percentages of gross charges for patient services by payor for the years ended June 30, 2011, 2010 and 2009.

**Table 3**  
**Payor Mix by Percentage**

	Year Ended June 30,		
	2011	2010	2009
Medicare	56%	53%	53%
Wellmark	21%	24%	26%
Other Commercial Insurance	13%	12%	9%
Medicaid	9%	9%	8%
All other	1%	2%	4%
Total	100%	100%	100%

Significant changes in operations from FY 2011:

**Outpatient Revenue:** There was a 2% or \$662,783 decrease in outpatient revenue in FY 2011 compared to FY 2010. Endoscopy, radiology and CT scan had the largest decrease in revenue during the year. This was partially offset by a \$304,600 increase in outpatient lab revenue.

**Salaries and Employee Benefits:** FY 2011 showed a 2.4%, or \$223,150 increase in salary and employee benefit expense compared to FY 2010. The primary reason for the increase is an increase in health benefits for the employees over the prior year.

**Interest and Depreciation Expense:** Interest expense decreased by \$41,086 from FY 2010 due to the maturing of one revenue bond. Depreciation expense decreased by \$535,782 from FY 2010 levels due to the sale of the old hospital and the depreciation expense associated with the old hospital.

## CAPITAL ASSETS

At the end of fiscal year 2011, the Jefferson County Health Center has invested \$33,951,233 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 2011.

The following table summarizes Jefferson County Health Center's capital assets as of June 30, 2011, 2010 and 2009.

Table 4  
Capital Assets  
(in Thousands)

	June 30,			
	2011	2010	Change	2009
Land	\$1,151.5	\$1,355.2	(\$203.7)	\$1,474.2
Land improvements	\$1,556.6	\$2,127.1	(\$570.5)	\$2,127.1
Buildings	\$32,128.9	\$45,246.4	(\$13,117.5)	\$45,809.2
Major moveable equipment	\$8,341.0	\$8,445.5	(\$104.5)	\$12,277.4
Construction in progress	\$37.9	\$5	\$37.4	\$3.2
Subtotal	\$43,215.9	\$57,174.7	(\$13,958.8)	\$61,691.1
Less accumulated depreciation	(\$9,264.7)	(\$16,770.1)	\$7,505.4	(\$18,085.6)
Property, plant and equipment, net	\$33,951.2	\$40,404.6	(\$6,453.4)	\$43,605.5

## **DEBT ADMINISTRATION**

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### **Long-Term Debt**

At year-end, Jefferson County Health Center had \$ 35,875,000 in long-term debt related to financing for a replacement facility. This has decreased from \$37,180,394 in fiscal year 2010. 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 257% of Jefferson County Health Center's equity as of year-end.

## **PERFORMANCE COMPARED TO BUDGET**

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Net patient revenues were \$95,156 or 0.5% over budget for the fiscal year ended June 30, 2011. This was due to less contractual allowances than budgeted.

Operating expenses were \$ 284,289 or 1.4% below budget for the year with salaries and benefits being 2.6% below budget. The other operating expenses reflect decreases in nursing and general and administrative department expenses.

Total non-operating gains were significantly under budget because of a loss on sale of the old hospital and other properties of \$4,338,619.

The following table compares fiscal year 2011 actual to budget information.

**Table 5**  
**Budget vs. Actual**  
**(In Thousands)**

	FY 2011 Budget	FY 2011 Actual	Dollar Variance	Percent Variance
Gross patient service revenue	\$34,137.5	\$33,963.7	(\$173.8)	(0.5%)
Contractual adjustments and charity care	\$13,688.8	\$13,419.9	(\$268.9)	(2.0%)
Net patient service revenue	\$20,448.7	\$20,543.8	\$95.1	0.5%
Other operating revenue	\$706.5	\$621.9	(\$84.6)	(12.0%)
Total operating revenue	\$21,155.2	\$21,165.7	\$10.5	0.1%
Operating expenses	\$20,435.2	\$20,150.9	(\$284.3)	(1.4%)
Operating income	\$720.0	\$1,014.8	\$294.8	40.9%
Income from investments	\$281.6	\$239.1	(\$42.5)	(15.1%)
Other non-operating gains (losses)	\$1,078.7	(\$3,262.2)	(\$4,340.9)	(402.4%)
Interest expense	(\$2,017.5)	(\$2,019.7)	(\$2.2)	(0.1%)
Excess (deficiency) of revenue over expenses before contributions	\$62.8	(\$4,028.0)	(\$4,090.8)	(6,514.0%)

#### **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 2012 budget. Of primary importance in setting the 2012 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**

	<b>June 30</b>	
<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 9,487,622	\$ 5,775,867
Assets whose use is limited, required for current liabilities	1,281,508	1,258,308
Patient receivables, less allowance for contractual adjustments and uncollectibles 2011 \$1,172,000; 2010 \$1,271,000	3,135,965	3,332,964
Other receivables	115,242	70,566
Estimated third-party payor settlements	-	454,979
Inventories	200,089	163,170
Prepaid expenses	322,226	301,354
Succeeding year property tax receivable	<u>1,063,800</u>	<u>1,056,100</u>
Total current assets	<u>15,606,452</u>	<u>12,413,308</u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
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	1,408,829	5,298,573
U.S. Government Agency securities	<u>3,172,372</u>	<u>-</u>
	4,581,201	5,298,573
Restricted by donors for specific purpose		
Cash and cash equivalents	<u>44,709</u>	<u>40,870</u>
Total assets whose use is limited	<u>4,810,910</u>	<u>5,524,443</u>
Less assets whose use is limited, required for current liabilities	<u>1,281,508</u>	<u>1,258,308</u>
Noncurrent assets whose use is limited	<u>3,529,402</u>	<u>4,266,135</u>
<b>CAPITAL ASSETS</b>	43,215,885	57,174,685
Less accumulated depreciation	<u>9,264,652</u>	<u>16,770,139</u>
Total capital assets	<u>33,951,233</u>	<u>40,404,546</u>
<b>OTHER ASSET</b>		
Investment in joint ventures	<u>947,060</u>	<u>910,307</u>
Totals	<u>\$54,034,147</u>	<u>\$57,994,296</u>

See Notes to Financial Statements.



**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>2011</u>	<u>2010</u>
<b>NET PATIENT SERVICE REVENUE</b> , net of provision for bad debts 2011 \$1,094,847; 2010 \$1,161,981	\$20,543,824	\$19,323,348
<b>OTHER REVENUE</b>	<u>621,876</u>	<u>845,380</u>
Total revenue	<u>21,165,700</u>	<u>20,168,728</u>
<b>EXPENSES</b>		
Nursing service	4,370,765	4,326,430
Other professional service	7,303,450	7,064,563
General service	1,993,150	1,943,301
Fiscal and administrative service and unassigned expenses	3,979,749	3,898,551
Provision for depreciation	<u>2,503,743</u>	<u>3,039,525</u>
Total expenses	<u>20,150,857</u>	<u>20,272,370</u>
Operating income (loss)	<u>1,014,843</u>	<u>(103,642)</u>
<b>NONOPERATING GAINS (LOSSES)</b>		
County taxes	1,076,390	1,008,295
Investment income	124,378	97,136
Interest expense	(2,019,719)	(2,060,805)
Equity in income of joint venture investments	114,753	188,781
Gain (loss) on sale of property and equipment	<u>(4,338,619)</u>	<u>(575,305)</u>
Total nonoperating gains (losses)	<u>(5,042,817)</u>	<u>(1,341,898)</u>
(Deficiency) of revenues over expenses before contributions	<u>(4,027,974)</u>	<u>(1,445,540)</u>
<b>CONTRIBUTIONS</b>	<u>418,537</u>	<u>233,793</u>
Change in fund equity	(3,609,437)	(1,211,747)
<b>TOTAL FUND EQUITY</b>		
Beginning	<u>17,592,565</u>	<u>18,804,312</u>
Ending	<u>\$13,983,128</u>	<u>\$17,592,565</u>

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

	<b>Year ended June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from patients and third-party payors	\$21,848,668	\$19,523,913
Cash paid to suppliers for goods and services	(10,075,138)	(9,907,470)
Cash paid to employees for services	(7,323,851)	(7,357,765)
Other operating revenue received	<u>574,868</u>	<u>829,855</u>
Net cash provided by operating activities	<u>5,024,547</u>	<u>3,088,533</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
County taxes received	<u>1,078,722</u>	<u>1,002,220</u>
Net cash provided by noncapital financing activities	<u>1,078,722</u>	<u>1,002,220</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets and construction in progress	(513,312)	(1,017,737)
Principal payments on long-term debt	(1,305,394)	(662,237)
Proceeds from sale of capital assets	124,263	257,075
Interest paid on long-term debt	(2,031,519)	(2,071,905)
Contributions restricted for purchase of capital assets	<u>418,537</u>	<u>233,793</u>
Net cash (used in) capital and related financing activities	<u>(3,307,425)</u>	<u>(3,261,011)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Contributions to) distributions from investments in joint ventures	78,000	(97,735)
Investment income received	124,378	97,136
Purchase of U.S. Government Agency securities	<u>(3,172,372)</u>	<u>—</u>
Net cash (used in) investing activities	<u>(2,969,994)</u>	<u>(599)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(174,150)	829,143
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>11,115,310</u>	<u>10,286,167</u>
Ending	<u>\$10,941,160</u>	<u>\$11,115,310</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>2011</u>	<u>2010</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 1,014,843	\$ (103,642)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Provision for depreciation	2,503,743	3,039,525
Change in assets and liabilities		
Decrease in patient receivables	196,999	185,544
(Increase) in other receivables, net of noncapital financing activities	(47,008)	(15,525)
(Increase ) decrease in inventories	(36,919)	19,075
(Increase) decrease in prepaid expenses	(20,872)	74,207
Increase (decrease) in accounts payable, net of capital assets payable	176,168	(101,627)
Increase (decrease) in accrued employee compensation	90,357	(41,950)
Increase in payroll taxes and withholdings	39,391	17,905
Decrease in net estimated third-party payor settlements	<u>1,107,845</u>	<u>15,021</u>
Net cash provided by operating activities	<u>\$ 5,024,547</u>	<u>\$ 3,088,533</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET</b>		
Per balance sheet		
Current assets	\$ 9,487,622	\$ 5,775,867
Assets whose use is limited		
Restricted by bond indenture agreement	1,408,829	5,298,573
Restricted by donors for specific purpose	<u>44,709</u>	<u>40,870</u>
Total per statement of cash flows	<u>\$10,941,160</u>	<u>\$11,115,310</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**

The Hospital has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements.

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
U.S. Government Agency securities Maturity of one year or less when purchased	Amortized cost
Maturity of one year or more when purchased	Fair value based on quoted market prices

The nonnegotiable certificates of deposit and U.S. Government Agency securities are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors.

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.

**Capital Assets**

Capital asset acquisitions are recorded at cost. Capital assets 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 payable that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted**

Restricted fund equity consists of funds on which constraints have been externally imposed by creditors (such as through debt covenants) grantors 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.

**Reclassifications**

Certain reclassifications have been made to the 2010 financial statements in order to conform to the 2011 presentation with no effect on the change in fund equity.

**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.

**NOTE 2 CASH AND INVESTMENTS**

The Hospital's deposits in banks at June 30, 2011 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).

The Hospital's investments at June 30, 2011 are as follows:

	<b>Maturities</b>	<b>Fair value</b>
Mutual fund	Daily	\$ 44,709
U.S. Government Agency Securities	July 2011 - July 2014	<u>3,172,372</u>
		<u>\$3,217,081</u>

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

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

**NOTE 2 CASH AND INVESTMENTS (continued)**

The Hospital's investment policy does not limit its investment portfolio based upon credit quality of the issuer. At June 30, 2011, all of the Hospital's investments subject to credit quality ratings were rated AAA by Moody's Investor Service.

**NOTE 3 PATIENT RECEIVABLES**

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

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Receivable from patients	\$ 282,271	\$ 217,643
Receivable from insurance carriers	1,946,080	2,149,711
Receivable from Medicare	1,795,304	1,958,376
Receivable from Medicaid	<u>284,310</u>	<u>278,234</u>
Total patient receivables	4,307,965	4,603,964
Less allowances for contractual and other adjustments	<u>(1,172,000)</u>	<u>(1,271,000)</u>
 Totals	 <u>\$3,135,965</u>	 <u>\$3,332,964</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 "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, 2011:

	<b>Bond Sinking Fund</b>	<b>Debt Service Reserve Fund</b>	<b>Interest Fund</b>	<b>Total</b>
BALANCE, beginning	\$1,229,063	\$2,589,372	\$1,480,138	\$5,298,573
Deposits	475,349	-	1,391,143	1,866,492
Investment income	(1,152)	2,871	186	1,905
Transfers, net	(21,130)	-	21,130	-
Fees	(1,303)	(3,888)	(3,353)	(8,544)
Principal payments	(590,000)	-	-	(590,000)
Interest payments	<u>-</u>	<u>-</u>	<u>(1,987,225)</u>	<u>(1,987,225)</u>
 BALANCE, ending	 <u>\$1,090,827</u>	 <u>\$2,588,355</u>	 <u>\$ 902,019</u>	 <u>\$4,581,201</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, 2009.

**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 CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2011 and 2010 follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2011</u>
Land	\$ 1,355,185	\$ -	\$ 203,711	\$ -	\$ 1,151,474
Land improvements	2,127,128	-	570,570	-	1,556,558
Buildings	45,246,384	8,442	13,168,017	42,123	32,128,932
Equipment	8,445,488	249,709	528,079	173,848	8,340,966
Construction and equipment installations in progress	<u>500</u>	<u>255,161</u>	<u>1,735</u>	<u>(215,971)</u>	<u>37,955</u>
Totals	57,174,685	513,312	14,472,112	-	43,215,885
Less accumulated depreciation and amortization	<u>(16,770,139)</u>	<u>(2,503,743)</u>	<u>(10,009,230)</u>	<u>-</u>	<u>(9,264,652)</u>
Net capital assets	<u>\$40,404,546</u>	<u>\$(1,990,431)</u>	<u>\$ 4,462,882</u>	<u>\$ -</u>	<u>\$33,951,233</u>

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

**NOTE 6 CAPITAL ASSETS (continued)**

	<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 capital assets	<u>\$43,605,467</u>	<u>\$(2,368,541)</u>	<u>\$ 832,380</u>	<u>\$ -</u>	<u>\$40,404,546</u>

**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 were due until April, 2018. This note was paid off during 2011. The balance at June 30, 2011 is \$-0-.

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, 2011 is \$1,295,000.
- 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, 2011 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, 2011 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, 2011 is \$69,784,941. 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, 2011 and 2010:

	<u>Year ended June 30</u>	
	<u>2011</u>	<u>2010</u>
Change in fund equity	\$(3,609,437)	\$(1,211,747)
Provision for depreciation	2,503,743	3,039,525
Interest expense on the Notes and Bonds	2,019,719	2,060,805
Loss on sale of property	<u>4,338,619</u>	<u>575,305</u>
 Pledged revenues	 <u>\$5,252,644</u>	 <u>\$4,463,888</u>
 Principal and interest requirements	 <u>\$2,565,620</u>	 <u>\$2,562,700</u>

Principal and interest maturities of long-term debt at June 30, 2011 are summarized as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 625,000	\$ 1,950,775	\$ 2,575,775
2013	670,000	1,911,925	2,581,925
2014	710,000	1,876,560	2,586,560
2015	740,000	1,845,108	2,585,108
2016	770,000	1,811,788	2,581,788
2017-2021	4,440,000	8,482,009	12,922,009
2022-2026	5,675,000	7,251,018	12,926,018
2027-2031	7,435,000	5,493,842	12,928,842
2032-2036	9,935,000	2,992,540	12,927,540
2037-2038	<u>4,875,000</u>	<u>294,376</u>	<u>5,169,376</u>
Total	35,875,000	33,909,941	69,784,941
Less current maturities	<u>625,000</u>	<u>1,950,775</u>	<u>2,575,775</u>
 Total long-term debt	 <u>\$35,250,000</u>	 <u>\$31,959,166</u>	 <u>\$67,209,166</u>

A summary of changes in long-term debt for the year ended June 30, 2011 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)	\$ 715,394	\$ -	\$ 715,394	\$ -	\$ -
Hospital Revenue Refunding Bonds (Series 2007B)	10,000,000	-	-	10,000,000	-
Hospital Revenue Bonds (Series 2007A)	1,885,000	-	590,000	1,295,000	625,000
Hospital Revenue Bonds (Series 2007C)	<u>24,580,000</u>	<u>-</u>	<u>-</u>	<u>24,580,000</u>	<u>-</u>
 Totals	 <u>\$37,180,394</u>	 <u>\$ -</u>	 <u>\$1,305,394</u>	 <u>\$35,875,000</u>	 <u>\$ 625,000</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, 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	39,669	—	39,669	—	—
Totals	<u>\$37,842,631</u>	<u>\$ —</u>	<u>\$ 662,237</u>	<u>\$37,180,394</u>	<u>\$ 662,190</u>

**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, 2011 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, 2011, regular plan members were required to contribute 4.50% of their annual salary and the Hospital is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$514,625, \$467,670 and \$519,667, 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, 2011 and 2010.

	<b>2011</b>	<b>2010</b>
Charges foregone, based on established rates	\$ <u>401,244</u>	\$ <u>389,494</u>
Equivalent percentage of charity care patients to all patients served	<u>1.2%</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 \$945,000. Total expense, which includes claims, administration fees, and stop-loss insurance, under this self-insurance program for the years ended June 30, 2011 and 2010 was \$852,981 and \$745,803, 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, 2011, the balance of the fund was being maintained in mutual funds with a total balance of \$44,709.

**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 \$114,753 in 2011 and \$188,781 in 2010.

**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.

Future minimum payments under the lease are as follows:

**Year ending June 30**

2012	\$ 144,208
2013	144,208
2014	<u>72,104</u>
Total	<u>\$ 360,520</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**Jefferson County Hospital  
d/b/a Jefferson County Health Center  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN FUND EQUITY, BUDGET AND ACTUAL  
Year ended June 30, 2011**

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	\$ 1,076,390	\$ -	\$ 1,076,390	\$ -	\$ 1,076,390	\$ 1,076,390
Other revenue/receipts	<u>17,480,910</u>	<u>3,839</u>	<u>17,484,749</u>	<u>-</u>	<u>17,484,749</u>	<u>20,669,492</u>
	18,557,300	3,839	18,561,139	-	18,561,139	21,745,882
Expenses/expenditures	<u>22,170,576</u>	<u>-</u>	<u>22,170,576</u>	<u>(479,767)</u>	<u>21,690,809</u>	<u>22,066,281</u>
Net	(3,613,276)	3,839	(3,609,437)	(479,767)	(3,129,670)	(320,399)
Balance, beginning	<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>
Balance, ending	<u>\$13,938,419</u>	<u>\$ 44,709</u>	<u>\$13,983,128</u>	<u>\$(16,998,921)</u>	<u>\$(3,015,793)</u>	<u>\$ 6,489,520</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

We have audited the financial statements of Jefferson County Hospital d/b/a Jefferson County Health Center as of and for the years ended June 30, 2011 and 2010, and have issued our reports thereon dated October 4, 2011 and October 20, 2010, respectively, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The following supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. We previously audited the years ended June 30, 2009 and 2008, and expressed unqualified opinions on those financial statements.

*Denman & Company, LLP*

**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
October 4, 2011

**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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
0 – 30 days (includes patients in Hospital at end of year)	\$2,393,169	\$2,474,138	57.09%	54.74%
31 – 60 days	809,162	784,860	19.30	17.36
61 – 90 days	321,551	360,844	7.67	7.98
Over 90 days	<u>668,090</u>	<u>900,114</u>	<u>15.94</u>	<u>19.92</u>
	<u>4,191,972</u>	<u>4,519,956</u>	<u>100.00%</u>	<u>100.00%</u>
Physician Clinic	<u>115,993</u>	<u>84,008</u>		
Total receivables	<u>4,307,965</u>	<u>4,603,964</u>		
Allowances				
Contractual				
Medicare	742,000	718,000		
Medicaid and Wellmark	288,000	427,000		
Uncollectibles	96,000	92,000		
Physician Clinic	<u>46,000</u>	<u>34,000</u>		
Total allowances	<u>1,172,000</u>	<u>1,271,000</u>		
Totals	<u>\$3,135,965</u>	<u>\$3,332,964</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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>BALANCE</b> , beginning	\$ 92,000	\$ 148,000		
<b>ADD</b>				
Provision for bad debts	1,094,847	1,161,981	5.33%	6.01%
<b>DEDUCT</b>				
Accounts written off	<u>(1,090,847)</u>	<u>(1,217,981)</u>	5.31	6.30
<b>BALANCE</b> , ending	<u>\$ 96,000</u>	<u>\$ 92,000</u>		

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

	<u>June 30</u>		<u>Increase (decrease)</u>
	<u>2011</u>	<u>2010</u>	
Storeroom	\$ 51,865	\$ 38,216	\$ 13,649
Pharmacy	89,407	67,780	21,627
Dietary	18,679	16,743	1,936
Uniforms and linen	<u>40,138</u>	<u>40,431</u>	<u>(293)</u>
Totals	<u>\$ 200,089</u>	<u>\$ 163,170</u>	<u>\$ 36,919</u>

**Jefferson County Hospital  
d/b/a Jefferson County Health Center  
INSURANCE COVERAGE  
June 30, 2011**

<u>Insurer</u>	<u>Coverage Type</u>	<u>Effective Dates</u>	<u>Coverage Amount</u>
Chubb	Directors and Officers	July 2010 to July 2011	\$2,000,000
Travelers	Employee Honesty Bond	May 2011 to May 2012	\$100,000/employee
Midwest Medical Insurance	Physician Liability Coverage	January 2011 to January 2012	
	Each claim		\$2,000,000
	Total facility		\$4,000,000
Pro Assurance	Physician Liability Coverage	August 2010 to August 2011	
	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 2011 to May 2012	
	Each claim		\$1,000,000
	Total facility		\$3,000,000
MHA Insurance	Umbrella Excess Liability	May 2011 to May 2012	
	Each claim		\$7,000,000
	Total facility		\$7,000,000
General Casualty	Business Auto	May 2011 to May 2012	\$1,000,000
General Casualty	Building and Contents	May 2011 to May 2012	\$37,882,370
	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**

	<b>Total</b>		
	<b>Year ended June 30</b>		<b>Increase</b>
	<b>2011</b>	<b>2010</b>	<b>(decrease)</b>
<b>DAILY PATIENT SERVICES</b>			
Medical and surgical	\$ 2,386,306	\$ 2,027,152	\$ 359,154
Critical care unit	31,050	56,220	(25,170)
Swing bed	<u>1,242,755</u>	<u>977,753</u>	<u>265,002</u>
	<u>3,660,111</u>	<u>3,061,125</u>	<u>598,986</u>
<b>OTHER NURSING SERVICES</b>			
Operating and recovery rooms	5,817,617	5,817,079	538
Central supply	250,413	219,162	31,251
Emergency services	<u>4,305,846</u>	<u>4,297,583</u>	<u>8,263</u>
	<u>10,373,876</u>	<u>10,333,824</u>	<u>40,052</u>
<b>OTHER PROFESSIONAL SERVICES</b>			
Laboratory and blood bank	5,273,464	4,815,398	458,066
Electrocardiology	435,071	442,694	(7,623)
Radiology	2,759,224	2,852,739	(93,515)
CT scans	2,250,305	2,378,900	(128,595)
Magnetic resonance imaging	1,460,929	1,346,894	114,035
Pharmacy	2,498,253	2,305,209	193,044
Anesthesiology	715,225	808,760	(93,535)
Respiratory therapy	879,467	624,667	254,800
Physical therapy	1,487,714	1,363,437	124,277
Speech therapy	65,165	63,604	1,561
Occupational therapy	320,283	297,155	23,128
Oncology	4,726	-	4,726
Medical arts	169,276	156,082	13,194
Physician clinic	1,018,718	907,251	111,467
Peasley clinic	78,871	750,758	(671,887)
Sleep lab	<u>513,050</u>	<u>582,621</u>	<u>(69,571)</u>
	<u>19,929,741</u>	<u>19,696,169</u>	<u>233,572</u>
	33,963,728	33,091,118	872,610
Charity care charges foregone, based on established rates	<u>(401,244)</u>	<u>(389,494)</u>	<u>(11,750)</u>
Total gross patient service revenue	33,562,484	32,701,624	860,860
Provisions for contractual and other adjustments	<u>(13,018,660)</u>	<u>(13,378,276)</u>	<u>359,616</u>
Net patient service revenue	<u>\$20,543,824</u>	<u>\$19,323,348</u>	<u>\$1,220,476</u>

Inpatient			Outpatient		
Year ended June 30		Increase (decrease)	Year ended June 30		Increase (decrease)
2011	2010		2011	2010	
\$2,386,306	\$2,027,152	\$ 359,154	\$ -	\$ -	\$ -
31,050	56,220	(25,170)	-	-	-
1,242,755	977,753	265,002	-	-	-
<u>3,660,111</u>	<u>3,061,125</u>	<u>598,986</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,366,421	1,171,191	195,230	4,451,196	4,645,888	(194,692)
243,459	218,416	25,043	6,954	746	6,208
76,171	77,818	(1,647)	4,229,675	4,219,765	9,910
<u>1,686,051</u>	<u>1,467,425</u>	<u>218,626</u>	<u>8,687,825</u>	<u>8,866,399</u>	<u>(178,574)</u>
586,683	433,217	153,466	4,686,781	4,382,181	304,600
25,197	23,123	2,074	409,874	419,571	(9,697)
190,669	178,396	12,273	2,568,555	2,674,343	(105,788)
184,529	129,185	55,344	2,065,776	2,249,715	(183,939)
59,635	69,737	(10,102)	1,401,294	1,277,157	124,137
892,547	756,866	135,681	1,605,706	1,548,343	57,363
183,540	144,305	39,235	531,685	664,455	(132,770)
729,753	505,877	223,876	149,714	118,790	30,924
507,057	445,119	61,938	980,657	918,318	62,339
27,833	23,190	4,643	37,332	40,414	(3,082)
190,394	151,201	39,193	129,889	145,954	(16,065)
160	-	160	4,566	-	4,566
-	-	-	169,276	156,082	13,194
-	-	-	1,018,718	907,251	111,467
-	-	-	78,871	750,758	(671,887)
-	-	-	513,050	582,621	(69,571)
<u>3,577,997</u>	<u>2,860,216</u>	<u>717,781</u>	<u>16,351,744</u>	<u>16,835,953</u>	<u>(484,209)</u>
<u>\$8,924,159</u>	<u>\$7,388,766</u>	<u>\$1,535,393</u>	<u>\$25,039,569</u>	<u>\$25,702,352</u>	<u>\$ (662,783)</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>2011</u>	<u>2010</u>	
Contractual adjustments			
Medicare	\$ 7,212,896	\$ 6,329,765	\$ 883,131
Medicaid	1,369,993	1,823,034	(453,041)
Wellmark	2,142,683	2,943,894	(801,211)
Provision for bad debts	1,094,847	1,161,981	(67,134)
Discounts and other adjustments	<u>1,198,241</u>	<u>1,119,602</u>	<u>78,639</u>
 Totals	 <u>\$13,018,660</u>	 <u>\$13,378,276</u>	 <u>\$ (359,616)</u>

**OTHER REVENUE**

	<u>Year ended June 30</u>		<u>Increase (decrease)</u>
	<u>2011</u>	<u>2010</u>	
Employee and guest meals	\$ 61,882	\$ 58,711	\$ 3,171
Lifeline	70,491	63,074	7,417
Specialty clinics rent	28,515	23,985	4,530
Rental income, net	36,543	7,126	29,417
Miscellaneous, net	<u>424,445</u>	<u>692,484</u>	<u>(268,039)</u>
 Totals	 <u>\$ 621,876</u>	 <u>\$ 845,380</u>	 <u>\$ (223,504)</u>

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

	<u>Year ended June 30</u>		<u>Increase</u>
	<u>2011</u>	<u>2010</u>	<u>(decrease)</u>
<b>ADMINISTRATIVE</b>			
Salaries	\$ 177,163	\$ 174,407	\$ 2,756
Supplies and expense	<u>13,004</u>	<u>8,336</u>	<u>4,668</u>
	<u>190,167</u>	<u>182,743</u>	<u>7,424</u>
<b>MEDICAL AND SURGICAL</b>			
Salaries	1,165,392	1,204,849	(39,457)
Supplies and expense	<u>144,726</u>	<u>115,503</u>	<u>29,223</u>
	<u>1,310,118</u>	<u>1,320,352</u>	<u>(10,234)</u>
<b>CRITICAL CARE UNIT</b>			
Salaries	7,296	16,576	(9,280)
Supplies and expense	<u>-</u>	<u>3</u>	<u>(3)</u>
	<u>7,296</u>	<u>16,579</u>	<u>(9,283)</u>
<b>OPERATING AND RECOVERY ROOMS</b>			
Salaries	440,386	460,439	(20,053)
Supplies and expense	<u>499,030</u>	<u>440,783</u>	<u>58,247</u>
	<u>939,416</u>	<u>901,222</u>	<u>38,194</u>
<b>CENTRAL SUPPLY</b>			
Salaries	23,910	22,923	987
Supplies and expense	<u>63,310</u>	<u>64,218</u>	<u>(908)</u>
	<u>87,220</u>	<u>87,141</u>	<u>79</u>
<b>EMERGENCY SERVICES</b>			
Salaries	713,249	697,480	15,769
Professional fees	1,060,834	1,062,223	(1,389)
Supplies and expense	<u>62,465</u>	<u>58,690</u>	<u>3,775</u>
	<u>1,836,548</u>	<u>1,818,393</u>	<u>18,155</u>
Totals	<u>\$4,370,765</u>	<u>\$4,326,430</u>	<u>\$ 44,335</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>2011</u>	<u>2010</u>	
<b>LABORATORY AND BLOOD BANK</b>			
Salaries	\$ 461,066	\$ 451,903	\$ 9,163
Professional fees	171,720	173,069	(1,349)
Supplies and expense	437,346	330,291	107,055
	<u>1,070,132</u>	<u>955,263</u>	<u>114,869</u>
<b>ELECTROCARDIOLOGY</b>			
Salaries	43,518	51,942	(8,424)
Professional fees	3,456	4,302	(846)
Supplies and expense	20,302	19,134	1,168
	<u>67,276</u>	<u>75,378</u>	<u>(8,102)</u>
<b>RADIOLOGY</b>			
Salaries	475,534	463,611	11,923
Professional fees	205,095	207,398	(2,303)
Supplies and expense	386,237	366,398	19,839
	<u>1,066,866</u>	<u>1,037,407</u>	<u>29,459</u>
<b>CT SCANS</b>			
Supplies and expense	<u>285,397</u>	<u>217,408</u>	<u>67,989</u>
<b>MAGNETIC RESONANCE IMAGING</b>			
Professional fees	330,800	300,900	29,900
Supplies and expenses	4,251	8,114	(3,863)
	<u>335,051</u>	<u>309,014</u>	<u>26,037</u>
<b>PHARMACY</b>			
Salaries	142,636	137,276	5,360
Professional fees	10,500	12,500	(2,000)
Drugs	667,085	679,289	(12,204)
Supplies and expense	26,494	25,127	1,367
	<u>846,715</u>	<u>854,192</u>	<u>(7,477)</u>
<b>ANESTHESIOLOGY</b>			
Professional fees	386,980	428,270	(41,290)
Supplies and expense	21,304	15,035	6,269
	<u>408,284</u>	<u>443,305</u>	<u>(35,021)</u>
<b>RESPIRATORY THERAPY</b>			
Salaries	73,550	43,085	30,465
Oxygen	16,178	13,505	2,673
Supplies and expense	7,577	8,275	(698)
	<u>97,305</u>	<u>64,865</u>	<u>32,440</u>
<b>PHYSICAL THERAPY</b>			
Salaries	11,326	13,600	(2,274)
Professional fees	691,298	636,839	54,459
Supplies and expense	21,981	18,791	3,190
	<u>724,605</u>	<u>669,230</u>	<u>55,375</u>
<b>SPEECH THERAPY</b>			
Professional fees	<u>14,611</u>	<u>15,416</u>	<u>(805)</u>

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

	<u>Year ended June 30</u>		<u>Increase</u>
	<u>2011</u>	<u>2010</u>	<u>(decrease)</u>
<b>OCCUPATIONAL THERAPY</b>			
Professional fees	\$ 143,244	\$ 132,319	\$ 10,925
Supplies and expense	<u>2,392</u>	<u>2,473</u>	<u>(81)</u>
	<u>145,636</u>	<u>134,792</u>	<u>10,844</u>
<b>PHYSICIANS CLINIC</b>			
Salaries	838,801	861,955	(23,154)
Supplies and expense	<u>16,717</u>	<u>17,928</u>	<u>(1,211)</u>
	<u>855,518</u>	<u>879,883</u>	<u>(24,365)</u>
<b>FAIRFIELD CLINIC</b>			
Salaries	135,013	-	135,013
Supplies and expense	<u>113,416</u>	<u>-</u>	<u>113,416</u>
	<u>248,429</u>	<u>-</u>	<u>248,429</u>
<b>PEASLEY CLINIC</b>			
Supplies and expense	<u>22,758</u>	<u>186,006</u>	<u>(163,248)</u>
<b>MEDICAL RECORDS</b>			
Salaries	265,334	254,377	10,957
Supplies and expense	<u>116,195</u>	<u>118,771</u>	<u>(2,576)</u>
	<u>381,529</u>	<u>373,148</u>	<u>8,381</u>
<b>QUALITY ASSURANCE</b>			
Salaries	191,524	186,569	4,955
Supplies and expense	<u>20,044</u>	<u>18,991</u>	<u>1,053</u>
	<u>211,568</u>	<u>205,560</u>	<u>6,008</u>
<b>MEDICAL ARTS</b>			
Salaries	198,045	211,568	(13,523)
Supplies and expense	<u>217,496</u>	<u>317,704</u>	<u>(100,208)</u>
	<u>415,541</u>	<u>529,272</u>	<u>(113,731)</u>
<b>SLEEP LAB</b>			
Salaries	74,377	32,394	41,983
Supplies and expense	<u>9,888</u>	<u>72,105</u>	<u>(62,217)</u>
	<u>84,265</u>	<u>104,499</u>	<u>(20,234)</u>
<b>ONCOLOGY</b>			
Supplies and expense	<u>12,674</u>	<u>-</u>	<u>12,674</u>
<b>DIALYSIS</b>			
Salaries	5,963	7,058	(1,095)
Supplies and expense	<u>3,327</u>	<u>2,867</u>	<u>460</u>
	<u>9,290</u>	<u>9,925</u>	<u>(635)</u>
Totals	<u>\$7,303,450</u>	<u>\$7,064,563</u>	<u>\$ 238,887</u>

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

	<u>Year ended June 30</u>		<u>Increase</u>
	<u>2011</u>	<u>2010</u>	<u>(decrease)</u>
<b>DIETARY</b>			
Salaries	\$ 340,516	\$ 314,158	\$ 26,358
Food	114,300	98,326	15,974
Supplies and expense	<u>79,240</u>	<u>53,122</u>	<u>26,118</u>
	<u>534,056</u>	<u>465,606</u>	<u>68,450</u>
<b>PLANT OPERATION AND MAINTENANCE</b>			
Salaries	340,610	324,927	15,683
Utilities	511,721	472,243	39,478
Supplies and expense	<u>177,482</u>	<u>193,023</u>	<u>(15,541)</u>
	<u>1,029,813</u>	<u>990,193</u>	<u>39,620</u>
<b>BIO MEDICAL</b>			
Salaries	63,266	67,009	(3,743)
Supplies and expense	<u>48</u>	<u>467</u>	<u>(419)</u>
	<u>63,314</u>	<u>67,476</u>	<u>(4,162)</u>
<b>HOUSEKEEPING</b>			
Salaries	244,571	265,641	(21,070)
Supplies and expense	<u>52,889</u>	<u>47,921</u>	<u>4,968</u>
	<u>297,460</u>	<u>313,562</u>	<u>(16,102)</u>
<b>LAUNDRY AND LINEN</b>			
Salaries	44,236	88,151	(43,915)
Supplies and expense	<u>24,271</u>	<u>18,313</u>	<u>5,958</u>
	<u>68,507</u>	<u>106,464</u>	<u>(37,957)</u>
 Totals	 <u>\$1,993,150</u>	 <u>\$1,943,301</u>	 <u>\$ 49,849</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>2011</u>	<u>2010</u>	<u>(decrease)</u>
<b>FISCAL AND ADMINISTRATIVE SERVICE</b>			
Salaries			
Administrative	\$ 111,631	\$ 116,223	\$ (4,592)
Fiscal and accounting	505,985	512,260	(6,275)
Purchasing and stores	80,423	88,338	(7,915)
Public relations	57,489	57,046	443
Data processing	85,264	95,707	(10,443)
Human resources	96,134	94,343	1,791
Data processing expense	287,304	237,951	49,353
Human resources supplies and expenses	22,555	48,123	(25,568)
Professional fees	10,289	12,511	(2,222)
Office supplies and expenses	366,110	412,895	(46,785)
Telephone	55,231	56,780	(1,549)
Collection fees	44,731	40,974	3,757
Purchasing and stores expense	26,486	25,204	1,282
Public relations expense	5,358	6,642	(1,284)
<b>UNASSIGNED EXPENSES</b>			
Physician recruiting	28,135	35,000	(6,865)
Insurance	148,028	134,715	13,313
Employee benefits			
FICA	510,751	500,923	9,828
IPERS	514,625	467,670	46,955
Group health insurance	852,981	745,803	107,178
Group disability insurance	31,120	36,612	(5,492)
Workers' compensation	99,152	113,358	(14,206)
Unemployment compensation	28,682	27,204	1,478
Other employee benefits	<u>11,285</u>	<u>32,269</u>	<u>(20,984)</u>
Totals	<u>\$3,979,749</u>	<u>\$3,898,551</u>	<u>\$ 81,198</u>

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

	<b>Year ended June 30</b>			
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>NET PATIENT SERVICE REVENUE</b>	\$20,543,824	\$19,323,348	\$18,592,089	\$17,571,190
<b>OTHER REVENUE</b>	<u>621,876</u>	<u>845,380</u>	<u>897,808</u>	<u>590,136</u>
Total revenue	<u>21,165,700</u>	<u>20,168,728</u>	<u>19,489,897</u>	<u>18,161,326</u>
<b>EXPENSES</b>				
Salaries	7,414,208	7,315,815	8,293,040	7,746,921
Supplies, professional fees and other expenses	10,232,906	9,917,030	10,451,758	9,345,296
Provision for depreciation	<u>2,503,743</u>	<u>3,039,525</u>	<u>1,812,662</u>	<u>1,172,543</u>
Total expenses	<u>20,150,857</u>	<u>20,272,370</u>	<u>20,557,460</u>	<u>18,264,760</u>
Operating income (loss)	<u>1,014,843</u>	<u>(103,642)</u>	<u>(1,067,563)</u>	<u>(103,434)</u>
<b>NONOPERATING GAINS (LOSSES)</b>				
County taxes	1,076,390	1,008,295	794,472	760,985
Investment income and equity in net income of joint venture investments	239,131	285,917	206,004	277,356
Unrestricted contributions	-	-	-	107
Interest expense	(2,019,719)	(2,060,805)	(536,361)	(28,157)
Gain (loss) on sale of property and equipment	<u>(4,338,619)</u>	<u>(575,305)</u>	<u>7,342</u>	<u>42,709</u>
Total nonoperating gains (losses)	<u>(5,042,817)</u>	<u>(1,341,898)</u>	<u>471,457</u>	<u>1,053,000</u>
Excess (deficiency) of revenues over expenses before contributions	(4,027,974)	(1,445,540)	(596,106)	949,566
<b>CONTRIBUTIONS</b>	<u>418,537</u>	<u>233,793</u>	<u>268,039</u>	<u>213,922</u>
Change in fund equity	<u>\$ (3,609,437)</u>	<u>\$ (1,211,747)</u>	<u>\$ (328,067)</u>	<u>\$ 1,163,488</u>

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

	<b>Year ended June 30</b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>PATIENT DAYS</b>		
Adult and pediatric	<u>2,097</u>	<u>1,822</u>
Swing bed		
Skilled nursing care	<u>2,345</u>	<u>1,947</u>
Total patient days	<u>4,442</u>	<u>3,769</u>
<b>ADMISSIONS</b>		
Adult and pediatric	552	497
Swing bed	<u>236</u>	<u>179</u>
Total admissions	<u>788</u>	<u>676</u>
<b>DISCHARGES</b>		
Adult and pediatric	555	490
Swing bed	<u>237</u>	<u>179</u>
Total discharges	<u>792</u>	<u>669</u>
<b>AVERAGE LENGTH OF STAY</b>		
Adult and pediatric	3.78	3.72
Swing bed	9.89	10.88
<b>BEDS</b>		
Adult and pediatric	25	25
<b>OCCUPANCY PERCENT</b>		
Adult and pediatric	22.98%	19.97%
Swing bed	25.70%	21.34%
<b>NET PATIENT SERVICE REVENUE PER CALENDAR DAY</b>	\$56,284	\$52,941
<b>NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES AT END OF YEAR</b>	56	63

**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, 2011, and have issued our report thereon dated October 4, 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 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 that 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, 2011 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 4, 2011

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

**Jefferson County Hospital  
d/b/a Jefferson County 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 operating expenses with budget basis expenditures, it appears the Hospital did not exceed its budget for the year ended June 30, 2011.

**11-II-B QUESTIONABLE EXPENDITURES**

No questionable expenditures of Hospital funds were noted.

**11-II-C TRAVEL EXPENSES**

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

**11-II-D BUSINESS TRANSACTIONS**

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