

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

FINANCIAL REPORT

June 30, 2012

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
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of funding progress for the retiree health plan	22
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	23
SUPPLEMENTARY INFORMATION	
Analysis of patient receivables	24
Analysis of allowance for bad debts	24
Patient service revenue	25
Provisions for contractual adjustments and bad debts	26
Other revenue	26
Expenses	27-28
Comparative statistics	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 <i>GOVERNMENT AUDITING STANDARDS</i>	30-31
SCHEDULE OF FINDINGS	32-33

**Jackson County Regional Health Center
OFFICIALS
June 30, 2012**

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, 2012 and 2011, 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, 2012 and 2011, 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 September 19, 2012 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 and schedule of funding progress for the retiree health plan on page 22 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 19, 2012

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, 2012 and 2011. 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 \$722,716, or 3%, to \$24,277,437
- Total assets whose use is limited increased by \$1,075,328 to \$9,584,566
- Total property and equipment decreased by \$535,433 to \$8,216,463
- Total fund equity increased by \$762,460 to \$22,283,425
- Net patient service revenue increased by \$421,121, or 3%, to \$12,582,995
- Expenses increased by \$293,738, or 2%, to \$12,916,966

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		
	2012	2011	2010
Current assets	\$ 5,526,408	\$ 5,443,587	\$ 6,137,413
Assets whose use is limited	9,584,566	8,509,238	6,417,431
Property and equipment	8,216,463	8,751,896	9,656,636
Other asset	<u>950,000</u>	<u>850,000</u>	<u>850,000</u>
Total assets	<u>\$24,277,437</u>	<u>\$23,554,721</u>	<u>\$23,061,480</u>
Current liabilities	\$ 1,044,012	\$ 1,183,756	\$ 1,460,878
Other noncurrent liabilities	<u>950,000</u>	<u>850,000</u>	<u>850,000</u>
Total liabilities	<u>\$ 1,994,012</u>	<u>\$ 2,033,756</u>	<u>\$ 2,310,878</u>
Invested in capital assets, net of related debt	\$ 8,216,463	\$ 8,751,896	\$ 9,656,636
Unrestricted	<u>14,066,962</u>	<u>12,769,069</u>	<u>11,093,966</u>
Total fund equity	<u>\$22,283,425</u>	<u>\$21,520,965</u>	<u>\$20,750,602</u>

As depicted in Table 1, total assets increased in fiscal year 2012 to \$24,277,437. 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		
	2012	2011	2010
Net patient service revenue	\$12,582,995	\$12,161,874	\$12,627,461
Other revenue	<u>136,672</u>	<u>199,989</u>	<u>153,541</u>
Total revenue	<u>12,719,667</u>	<u>12,361,863</u>	<u>12,781,002</u>
Salaries	5,229,943	5,205,948	5,432,883
Supplies and expenses	6,550,062	6,260,527	6,293,404
Provision for depreciation	<u>1,136,961</u>	<u>1,156,753</u>	<u>1,154,410</u>
Total expenses	<u>12,916,966</u>	<u>12,623,228</u>	<u>12,880,697</u>
Operating (loss)	<u>(197,299)</u>	<u>(261,365)</u>	<u>(99,695)</u>
County taxes	851,786	856,973	850,906
Investment income	99,132	123,273	162,405
Gain (loss) on sale of equipment	(15,411)	12,621	36,718
Unrestricted contributions	<u>24,252</u>	<u>38,861</u>	<u>31,728</u>
Total nonoperating gains	<u>959,759</u>	<u>1,031,728</u>	<u>1,081,757</u>
Change in fund equity	762,460	770,363	982,062
Total fund equity, beginning	<u>21,520,965</u>	<u>20,750,602</u>	<u>19,768,540</u>
Total fund equity, ending	<u>\$22,283,425</u>	<u>\$21,520,965</u>	<u>\$20,750,602</u>

Operating and Financial Performance

The following summarizes the Health Center's statements of revenues, expenses and changes in fund equity between June 30, 2012 and 2011.

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

Volume: Medical and surgical discharges for fiscal year 2012 were 140 compared to 210 in fiscal year 2011. Average length of stay was 2.87 for fiscal year 2012 compared to 2.94 in fiscal year 2011 as patient days decreased to 402 from 617 in 2011. Volume on the outpatient side indicated positive growth in 2012. In 2012, gross outpatient charges increased to \$17,093,200 compared to \$16,626,642 in 2011. Radiology, sleep study and physical therapy reflected the most significant increases in 2012.

Price Increase: As is customary annually, the Health Center did review its charge structure and incorporated certain price increases in 2012. Overall, gross patient service revenue increased to \$18,345,537 from \$18,300,699 in 2011.

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 \$5,762,542 in 2012 compared to \$6,138,825 in 2011, representing 31% and 34% of gross patient charges for 2012 and 2011, 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>2012</u>	<u>2011</u>	<u>2010</u>
Medicare	48%	46%	46%
Medicaid	14	13	16
Commercial insurance	32	35	31
Patients	<u>6</u>	<u>6</u>	<u>7</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue decreased to \$136,672 in 2012 compared to \$199,989 in 2011 primarily due to decreased grant revenues.

Expenses

Approximately 41% of Health Center's expenses are for salaries. Total salaries slightly increased to \$5,229,943 in 2012 from \$5,205,948 in 2011. The Health Center departments experiencing the most significant increases in 2012 were emergency services and physical therapy.

Approximately 50% of Health Center's expenses are for supplies and expenses. Total supplies and expenses increased by 5% to \$6,550,062 in 2012 from \$6,260,527 in 2011. The Health Center departments experiencing the most significant increases were pharmacy and general surgery.

Approximately 9% of Health Center's expenses relate to provision for depreciation. The provision for depreciation decreased to \$1,136,961 in 2012 from \$1,156,753 in 2011.

Nonoperating Gains

Nonoperating gains decreased to \$959,759 from \$1,031,728 in 2011 primarily due to a decrease in investment income and loss on disposal of equipment.

Property and Equipment

At the end of 2012, the Health Center had \$8,216,463 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 2012, \$722,896 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		
	2012	2011	2010
Land	\$ 134,101	\$ 134,101	\$ 134,101
Land improvements	174,143	170,710	170,710
Building and improvement	15,973,291	15,874,729	15,883,898
Major movable equipment	6,001,590	5,781,635	5,666,865
Equipment additions in process	—	—	107,042
Subtotal	<u>22,283,125</u>	<u>21,961,175</u>	<u>21,962,616</u>
Less accumulated depreciation	<u>(14,066,662)</u>	<u>(13,209,279)</u>	<u>(12,305,980)</u>
Property and equipment	<u>\$ 8,216,463</u>	<u>\$ 8,751,896</u>	<u>\$ 9,656,636</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 2012 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	\$ 851,786	\$ 829,209	\$ 22,577
Other revenues/receipts	<u>12,827,640</u>	<u>13,262,897</u>	<u>(435,257)</u>
	13,679,426	14,092,106	(412,680)
Expenses/expenditures	<u>12,502,901</u>	<u>16,180,794</u>	<u>(3,677,893)</u>
Net	<u>\$ 1,176,525</u>	<u>\$ (2,088,688)</u>	<u>\$ 3,265,213</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 2013 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	
	2012	2011
CURRENT ASSETS		
Cash	\$ 2,816,589	\$ 3,021,791
Patient receivables, less allowances for contractual adjustments and bad debts	1,911,516	1,790,437
Other receivables	10,191	22,012
Estimated third-party payor settlements	245,000	50,000
Inventories	428,069	418,291
Prepaid expenses	<u>115,043</u>	<u>141,056</u>
Total current assets	<u>5,526,408</u>	<u>5,443,587</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Cash	8,125,428	3,938,788
Certificates of deposit	<u>1,459,138</u>	<u>4,570,450</u>
Total assets whose use is limited	<u>9,584,566</u>	<u>8,509,238</u>
PROPERTY AND EQUIPMENT		
Less accumulated depreciation	22,283,125	21,961,175
Total property and equipment	<u>14,066,662</u>	<u>13,209,279</u>
	<u>8,216,463</u>	<u>8,751,896</u>
OTHER ASSET		
Succeeding year property tax receivable	<u>950,000</u>	<u>850,000</u>
Totals	<u>\$24,277,437</u>	<u>\$23,554,721</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 353,492	\$ 453,515
Accrued employee compensation	425,133	584,728
Payroll taxes and amounts withheld from employees	155,387	100,513
Estimated third-party payor settlements	<u>110,000</u>	<u>45,000</u>
Total current liabilities	<u>1,044,012</u>	<u>1,183,756</u>
DEFERRED REVENUE FOR SUCCEEDING YEAR PROPERTY TAX RECEIVABLE		
	<u>950,000</u>	<u>850,000</u>
FUND EQUITY		
Invested in capital assets, net of related debt	8,216,463	8,751,896
Unrestricted	<u>14,066,962</u>	<u>12,769,069</u>
Total fund equity	<u>22,283,425</u>	<u>21,520,965</u>
Totals	<u>\$24,277,437</u>	<u>\$23,554,721</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2012	2011
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2012 \$767,404; 2011 \$824,490	\$12,582,995	\$12,161,874
OTHER REVENUE	<u>136,672</u>	<u>199,989</u>
Total revenue	<u>12,719,667</u>	<u>12,361,863</u>
EXPENSES		
Nursing service	3,860,420	3,881,662
Other professional service	3,743,670	3,434,066
General service	1,178,918	1,193,982
Fiscal and administrative service and unassigned expenses	2,996,997	2,956,765
Provision for depreciation	<u>1,136,961</u>	<u>1,156,753</u>
Total operating expenses	<u>12,916,966</u>	<u>12,623,228</u>
Operating (loss)	<u>(197,299)</u>	<u>(261,365)</u>
NONOPERATING GAINS		
County taxes	851,786	856,973
Investment income	99,132	123,273
Gain (loss) on disposal of equipment	(15,411)	12,621
Unrestricted contributions	<u>24,252</u>	<u>38,861</u>
Total nonoperating gains	<u>959,759</u>	<u>1,031,728</u>
Change in fund equity	762,460	770,363
TOTAL FUND EQUITY		
Beginning	<u>21,520,965</u>	<u>20,750,602</u>
Ending	<u>\$22,283,425</u>	<u>\$21,520,965</u>

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

	Year ended June 30	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$12,331,916	\$12,603,597
Cash paid to suppliers for goods and services	(6,575,264)	(6,607,750)
Cash paid to employees for services	(5,389,538)	(5,205,332)
Other operating revenue received	<u>136,672</u>	<u>199,989</u>
Net cash provided by operating activities	<u>503,786</u>	<u>990,504</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes	851,786	856,973
Contributions received	<u>24,252</u>	<u>38,861</u>
Net cash provided by noncapital financing activities	<u>876,038</u>	<u>895,834</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(647,849)	(263,819)
Proceeds from sale of equipment	<u>30,910</u>	<u>24,427</u>
Net cash (used in) capital and related financial activities	<u>(616,939)</u>	<u>(239,392)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(371,948)	(572,237)
Proceeds from sale of certificates of deposit	3,483,260	-
Interest received	<u>107,241</u>	<u>133,186</u>
Net cash provided by (used in) investing activities	<u>3,218,553</u>	<u>(439,051)</u>
NET INCREASE IN CASH	3,981,438	1,207,895
CASH		
Beginning	<u>6,960,579</u>	<u>5,752,684</u>
Ending	<u>\$10,942,017</u>	<u>\$ 6,960,579</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2012	2011
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating (loss)	\$ (197,299)	\$ (261,365)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	1,136,961	1,156,753
Changes in assets and liabilities		
Patient receivables	(121,079)	(103,277)
Other receivables	3,712	(3,111)
Net estimated third-party payor settlements	(130,000)	545,000
Inventories	(9,778)	(119,584)
Prepaid expenses	26,013	(26,790)
Accounts payable	(100,023)	(204,314)
Accrued employee compensation	(159,595)	616
Payroll taxes and amounts withheld from employees	<u>54,874</u>	<u>6,576</u>
Net cash provided by operating activities	<u>\$ 503,786</u>	<u>\$ 990,504</u>
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Per balance sheet		
Current assets, cash	\$ 2,816,589	\$3,021,791
Assets whose use is limited		
Designated by board for plant replacement and expansion, cash	<u>8,125,428</u>	<u>3,938,788</u>
Total per statement of cash flows	<u>\$10,942,017</u>	<u>\$6,960,579</u>

See Notes to Financial Statements.

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

The Health Center has elected to apply all applicable Government Accounting Standards Board pronouncements.

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, 2012 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>2012</u>	<u>2011</u>
Medicare	\$ 752,710	\$ 707,157
Medicaid	329,073	185,997
Commercial insurance	833,460	904,972
Patients	<u>803,273</u>	<u>717,311</u>
Total patient receivables	2,718,516	2,515,437
Less allowances for contractual adjustments and bad debts	<u>(807,000)</u>	<u>(725,000)</u>
Net patient receivables	<u>\$1,911,516</u>	<u>\$1,790,437</u>

NOTE 4 PROPERTY AND EQUIPMENT

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

	<u>June 30, 2012</u>		<u>June 30, 2011</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 134,101	\$ -	\$ 134,101	\$ -
Land improvements	174,143	130,697	170,710	124,560
Building and improvements	15,973,291	9,369,957	15,874,729	8,690,157
Major movable equipment	<u>6,001,590</u>	<u>4,566,008</u>	<u>5,781,635</u>	<u>4,394,562</u>
Totals	<u>\$22,283,125</u>	<u>\$14,066,662</u>	<u>\$21,961,175</u>	<u>\$13,209,279</u>

A summary of changes in property and equipment for the year ended June 30, 2012 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 134,101	\$ -	\$ -	\$ 134,101
Land improvements	170,710	3,433	-	174,143
Building and improvements	15,874,729	206,188	107,626	15,973,291
Major movable equipment	<u>5,781,635</u>	<u>513,275</u>	<u>293,320</u>	<u>6,001,590</u>
Totals	21,961,175	722,896	400,946	22,283,125
Less accumulated depreciation	<u>(13,209,279)</u>	<u>(1,136,961)</u>	<u>(279,578)</u>	<u>(14,066,662)</u>
Net property and equipment	<u>\$ 8,751,896</u>	<u>\$ (414,065)</u>	<u>\$ 121,368</u>	<u>\$ 8,216,463</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, 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>

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, 2010.

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, 2012 regular plan members were required to contribute 5.38% of their annual salary and the Health Center is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The Health Center's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$419,102, \$372,348 and \$363,594, 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, 2012 and 2011.

	2012	2011
Charges foregone, based on established rates	\$ <u>65,081</u>	\$ <u>108,776</u>
Equivalent percentage of charity care patients to all patients served	<u>.4%</u>	<u>.6%</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, 2012 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 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.

The following is a comparison of reported amounts to the County Hospital budget for the fiscal year ended June 30, 2012:

	GAAP basis	Cash basis adjustments	Cash basis	County Hospital Budget
Amount to be raised by taxation	\$ 851,786	\$ —	\$ 851,786	\$ 829,209
Other revenues/receipts	<u>12,827,640</u>	<u>—</u>	<u>12,827,640</u>	<u>13,262,897</u>
	13,679,426	—	13,679,426	14,092,106
Expenses/expenditures	<u>12,916,966</u>	<u>(414,065)</u>	<u>12,502,901</u>	<u>16,180,794</u>
Net	762,460	414,065	1,176,525	(2,088,688)
Balance, beginning	<u>21,520,965</u>	<u>(6,542,504)</u>	<u>14,978,461</u>	<u>10,368,356</u>
Balance, ending	<u>\$22,283,425</u>	<u>\$(6,128,439)</u>	<u>\$16,154,986</u>	<u>\$ 8,279,668</u>

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

NOTE 10 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:

	Year ended June 30	
	2012	2011
Annual required contribution, ARC	\$ 10,000	\$ 10,000
Interest on net OPEB obligation	200	100
Adjustment to annual required contribution	(300)	(200)
Annual OPEB cost	9,900	9,900
Contributions made	13,400	6,000
Increase (decrease) in net OPEB obligation	(3,500)	3,900
Net OPEB obligation, beginning of year	7,900	4,000
Net OPEB obligation, end of year	\$ 4,400	\$ 7,900

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, 2012 and 2011.

For the years ended June 30, 2012 and 2011, the Health Center contributed \$13,400 and \$6,000, respectively, 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, 2012 and 2011 are summarized as follows:

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
June 30, 2012	\$ <u>9,900</u>	<u>135%</u>	\$ <u>4,400</u>
June 30, 2011	\$ <u>9,900</u>	<u>61%</u>	\$ <u>7,900</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 \$4,059,000, and the ratio of the UAAL to the covered payroll was 3%. As of June 30, 2011, there were no trust fund assets.

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

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (continued)

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 11 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.

**Jackson County Regional Health Center
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**

Required Supplementary Information

<u>Year ended June 30</u>	<u>Actuarial valuation date</u>	<u>Actuarial valuation 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>
2010	July 1, 2009	\$ —	\$120,000	\$120,000	0%	\$4,059,000	3.0%
2011	July 1, 2009	—	120,000	120,000	0%	3,877,000	3.1%
2012	July 1, 2009	—	120,000	120,000	0%	3,838,000	3.1%

See the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

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 periods ended June 30, 2012 and 2011, and our report thereon dated September 19, 2012, which expressed an unqualified opinion on those financial statements, appears on page 4. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for 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 relates 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.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 19, 2012

**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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
0 - 30 days (includes patients in Health Center at end of year)	\$1,460,444	\$1,526,118	53.72%	60.67%
31 - 60 days	441,219	318,650	16.23	12.67
61 - 90 days	216,766	164,564	7.97	6.54
91 - 180 days	286,575	232,357	10.54	9.24
Over 180 days	<u>313,512</u>	<u>273,748</u>	<u>11.54</u>	<u>10.88</u>
Totals	<u>2,718,516</u>	<u>2,515,437</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	180,000	190,000		
Medicaid	120,000	60,000		
Other	177,000	165,000		
Bad debts	<u>330,000</u>	<u>310,000</u>		
Total allowances	<u>807,000</u>	<u>725,000</u>		
Totals	<u>\$1,911,516</u>	<u>\$1,790,437</u>		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	<u>\$ 34,380</u>	<u>\$ 33,320</u>		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	<u>56</u>	<u>54</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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
BALANCE , beginning	\$ 310,000	\$ 270,000		
ADD				
Provision for bad debts	767,404	824,490	6.10%	6.78%
Recoveries of accounts previously written off	<u>230,395</u>	<u>190,754</u>	1.83	1.57
	1,307,799	1,285,244		
DEDUCT				
Accounts written off	<u>977,799</u>	<u>975,244</u>	7.77	8.02
BALANCE , ending	<u>\$ 330,000</u>	<u>\$ 310,000</u>		

Jackson County Regional Health Center
PATIENT SERVICE REVENUE
Year ended June 30, 2012, with comparative totals for 2011

	<u>2012</u>			<u>2011</u>
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
DAILY PATIENT SERVICES				
Medical and surgical	\$ 305,255	\$ 131,675	\$ 436,930	\$ 597,982
Skilled care	<u>222,532</u>	<u>—</u>	<u>222,532</u>	<u>187,705</u>
	<u>527,787</u>	<u>131,675</u>	<u>659,462</u>	<u>785,687</u>
OTHER NURSING SERVICES				
Operating and recovery rooms	4,160	1,561,898	1,566,058	1,790,953
Central supply	31,241	470,949	502,190	579,193
Emergency service	5,778	3,205,233	3,211,011	3,141,153
Ambulance	3,541	1,266,596	1,270,137	1,179,834
Community health	<u>—</u>	<u>729,007</u>	<u>729,007</u>	<u>772,975</u>
	<u>44,720</u>	<u>7,233,683</u>	<u>7,278,403</u>	<u>7,464,108</u>
OTHER PROFESSIONAL SERVICES				
Laboratory	177,467	1,950,875	2,128,342	2,124,314
Radiology	70,809	4,716,079	4,786,888	4,591,666
Nuclear medicine	1,417	63,749	65,166	50,066
Pharmacy	231,422	617,153	848,575	820,796
Anesthesiology	2,210	632,549	634,759	732,453
Respiratory therapy	64,619	195,376	259,995	288,979
Sleep study	—	282,786	282,786	10,014
Cardiac rehabilitation	—	119,102	119,102	119,312
Physical therapy	109,083	675,597	784,680	664,021
Speech therapy	12,392	25,804	38,196	56,375
Occupational therapy	73,068	75,833	148,901	115,835
Diabetic education	—	23,599	23,599	23,339
General surgery	2,424	305,537	307,961	504,943
Specialty clinics	<u>—</u>	<u>43,803</u>	<u>43,803</u>	<u>57,567</u>
	<u>744,911</u>	<u>9,727,842</u>	<u>10,472,753</u>	<u>10,159,680</u>
Totals	<u>\$1,317,418</u>	<u>\$17,093,200</u>	18,410,618	18,409,475
Charity care charges foregone, based on established rates			<u>(65,081)</u>	<u>(108,776)</u>
Total gross patient service revenue			18,345,537	18,300,699
Provisions for contractual adjustments and bad debts			<u>(5,762,542)</u>	<u>(6,138,825)</u>
Total net patient service revenue			<u>\$12,582,995</u>	<u>\$12,161,874</u>

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

	Year ended June 30	
	2012	2011
Contractual adjustments		
Medicare	\$1,738,460	\$2,512,570
Medicaid	1,233,523	1,027,691
Other adjustments	2,023,155	1,774,074
Provision for bad debts	<u>767,404</u>	<u>824,490</u>
 Totals	 <u>\$5,762,542</u>	 <u>\$6,138,825</u>

OTHER REVENUE

	Year ended June 30	
	2012	2011
Home delivered meals	\$ 3,683	\$ 4,818
Purchase discounts	16,237	15,089
Grants	46,769	117,932
Miscellaneous	<u>69,983</u>	<u>62,150</u>
 Totals	 <u>\$ 136,672</u>	 <u>\$ 199,989</u>

Jackson County Regional Health Center
EXPENSES
Year ended June 30, 2012, with comparative totals for 2011

	<u>2012</u>			<u>2011</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
NURSING SERVICE				
Nursing administration	\$ 165,502	\$ 11,649	\$ 177,151	\$ 175,778
Medical and surgical	643,584	31,448	675,032	725,709
Operating and recovery rooms	194,393	140,347	334,740	310,558
Central supply	15,864	225,368	241,232	243,538
Emergency service	532,895	866,146	1,399,041	1,425,457
Ambulance	434,984	42,591	477,575	445,663
Community health	481,957	73,692	555,649	554,959
Total nursing service	<u>2,469,179</u>	<u>1,391,241</u>	<u>3,860,420</u>	<u>3,881,662</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	283,312	353,377	636,689	713,681
Radiology	332,673	492,439	825,112	751,468
Pharmacy	149,330	437,544	586,874	408,741
Anesthesiology	198,999	40,286	239,285	325,111
Respiratory therapy	16,365	8,195	24,560	25,580
Sleep study	-	32,651	32,651	18,510
Cardiac rehabilitation	48,975	6,182	55,157	48,913
Physical therapy	166,471	246,569	413,040	404,969
Speech therapy	15,829	6,531	22,360	25,720
Occupational therapy	-	83,111	83,111	66,647
Diabetic education	33,229	346	33,575	45,031
General surgery	204,225	267,903	472,128	309,384
Specialty clinics	12,393	3,899	16,292	16,971
Medical records	220,954	81,238	302,192	273,175
Social services	-	644	644	165
Total other professional service	<u>1,682,755</u>	<u>2,060,915</u>	<u>3,743,670</u>	<u>3,434,066</u>
GENERAL SERVICE				
Dietary	114,467	35,013	149,480	173,055
Operation of plant	234,252	583,779	818,031	803,381
Housekeeping	151,503	20,178	171,681	171,342
Laundry	24,659	15,067	39,726	46,204
Total general service	<u>524,881</u>	<u>654,037</u>	<u>1,178,918</u>	<u>1,193,982</u>
FISCAL AND ADMINISTRATIVE SERVICE				
Administrative	45,223	567,731	612,954	575,126
Accounting	165,360	8,641	174,001	143,409
Business office	172,159	106,675	278,834	272,477
Human resources	88,271	50,910	139,181	117,358
Purchasing	71,523	18,625	90,148	106,050
Employee health	10,592	448	11,040	9,944
Data processing	-	137,501	137,501	135,765

Jackson County Regional Health Center
EXPENSES (continued)
Year ended June 30, 2012, with comparative totals for 2011

	<u>2012</u>			<u>2011</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
UNASSIGNED EXPENSES				
FICA	\$ —	\$ 367,359	\$ 367,359	\$ 361,559
IPERS	—	419,102	419,102	372,348
Group health, life and other benefits	—	608,988	608,988	682,793
Workers compensation insurance	—	66,647	66,647	77,736
Insurance	—	<u>91,242</u>	<u>91,242</u>	<u>102,200</u>
Total fiscal and administrative service and unassigned expenses	<u>553,128</u>	<u>2,443,869</u>	<u>2,996,997</u>	<u>2,956,765</u>
PROVISION FOR DEPRECIATION	<u>—</u>	<u>1,136,961</u>	<u>1,136,961</u>	<u>1,156,753</u>
Total expenses	<u>\$5,229,943</u>	<u>\$7,687,023</u>	<u>\$12,916,966</u>	<u>\$12,623,228</u>

**Jackson County Regional Health Center
COMPARATIVE STATISTICS**

	Year ended June 30	
	<u>2012</u>	<u>2011</u>
PATIENT DAYS		
Medical and surgical	402	617
Swing bed, skilled care	<u>662</u>	<u>583</u>
Totals	<u>1,064</u>	<u>1,200</u>
DISCHARGES		
Medical and surgical	140	210
Swing bed, skilled care	<u>70</u>	<u>68</u>
Totals	<u>210</u>	<u>278</u>
AVERAGE LENGTH OF STAY		
Medical and surgical	2.87	2.94
Swing bed, skilled care	9.46	8.57

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, 2012, and have issued our report thereon dated September 19, 2012. 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, 2012 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
September 19, 2012

**Jackson County Regional Health Center
SCHEDULE OF FINDINGS
Year ended June 30, 2012**

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, 2012**

Part II—Findings Related to Required Statutory Reporting

12-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, 2012.

12-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Health Center funds were noted.

12-II-C TRAVEL EXPENSES

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

12-II-D BUSINESS TRANSACTIONS

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

12-II-E BOARD MINUTES

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

12-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.