

**Jefferson County Hospital
d/b/a Jefferson County Health Center
Fairfield, 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	5-11
FINANCIAL STATEMENTS	
Balance sheets	12-13
Statements of revenues, expenses, and changes in fund equity	14
Statements of cash flows	15-16
Notes to financial statements	17-27
REQUIRED SUPPLEMENTARY INFORMATION	28
Budgetary comparison schedule of revenues, expenses and changes in fund equity, budget and actual	29
INDEPENDENT AUDITOR'S REPORT ON THE OTHER SUPPLEMENTARY INFORMATION	30
OTHER SUPPLEMENTARY INFORMATION	31
Analysis of patient receivables	32
Analysis of allowance for uncollectibles	32
Inventories	33
Insurance coverage	34
Patient service revenue	35-36
Provisions for contractual and other adjustments	37
Other revenue	37
Nursing service expenses	38
Other professional service expenses	39-40
General service expenses	41
Fiscal and administrative service and unassigned expenses	42
Comparative revenues and expenses	43
Comparative statistics	44
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>	45-46
SCHEDULE OF FINDINGS	47-48

**Jefferson County Hospital
d/b/a Jefferson County Health Center
OFFICIALS
June 30, 2012**

After January 2012

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

Joan Tedrow	December 31, 2014
Julie Greeson	December 31, 2014
Greg Hanshaw	December 31, 2012
Merlin Miller	December 31, 2014

CHIEF EXECUTIVE OFFICER

Deborah Cardin

CHIEF FINANCIAL OFFICER

Eugene Irwin

Before January 2012

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 (through December 2011)	December 31, 2014
Julie Greeson	December 31, 2014
Randy Menke (through November 2011)	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, 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 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, 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 our report dated October 18, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 18, 2012

**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, 2012, 2011 and 2010. 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 increased by \$ 1,194,343 from FY 2011 to \$55,228,490 following a decrease in FY 2011 of \$3,960,149.
- Property and equipment decreased from FY 2011 by \$1,919,739, following a decrease of \$6,453,313 in FY 2011.
- Total debt decreased from FY 2011 by \$670,000, following a decrease of \$1,268,204 in FY 2011.
- Fund equity increased in FY 2012 by \$2,786,187 and decreased by \$3,609,437 in FY 2011.
- Net patient service revenue increased from FY 2011 by \$1,688,880. This followed an increase in FY 2011 of \$1,220,476.
- Expenses increased from FY 2011 by \$2,352,165 or 12%. This is due to increased physician recruiting expenses.
- Total margin for FY 2012 was 11%, compared to (17.1%) for FY 2011. The larger margin in FY 12 was due to greater revenues generated from additional physicians being on staff.

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, 2012, 2011 and 2010, are presented in Table 1 below.

Table 1
Condensed Balance Sheets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Dollar Change</u>	<u>Total % Change</u>	<u>June 30, 2010</u>
Current and other assets	\$23,196,996	\$20,082,914	\$3,114,082	16%	\$17,589,750
Capital assets	\$32,031,494	\$33,951,233	(\$1,919,739)	(6%)	\$40,404,546
Total Assets	<u>\$55,228,490</u>	<u>\$54,034,147</u>	<u>\$1,194,343</u>	<u>2%</u>	<u>\$57,994,296</u>
Long-term debt outstanding	\$34,580,000	\$35,250,000	(\$670,000)	(2%)	\$36,518,204
Other liabilities	\$3,879,175	\$4,801,019	(\$921,844)	(19)	\$3,883,527
Total liabilities	<u>\$38,459,175</u>	<u>\$40,051,019</u>	<u>(\$1,591,844)</u>	<u>(4%)</u>	<u>\$40,401,731</u>
Total fund equity	<u>\$16,769,315</u>	<u>\$13,983,128</u>	<u>\$2,786,187</u>	<u>20%</u>	<u>\$17,592,565</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, 2012, 2011 and 2010.

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

	Year ended June 30,		
	2012	2011	2010
Total revenue	\$25,690,823	\$21,165,700	\$20,168,728
Expenses	\$22,503,022	\$20,150,857	\$20,272,370
Operating (loss)	\$3,187,801	\$1,014,843	(\$103,642)
Non-operating gains (losses)	(\$451,134)	(\$5,042,817)	(\$1,341,898)
Excess (deficiency) of revenues over expenses	\$2,736,667	(\$4,027,974)	(\$1,445,540)
Other changes in fund equity-contributions	\$49,520	\$418,537	\$233,793
Total fund equity, beginning	\$13,983,128	\$17,592,565	\$18,804,312
Total fund equity, ending	\$16,769,315	\$13,983,128	\$17,592,565

Operating and Financial Performance

Volume: Acute inpatient admissions for fiscal year 2012 were 599 compared to 552 in fiscal year 2011. Acute patient days increased by 3% compared to FY 2011 because of the increased admissions and a slight decrease in length of stay. Swing bed admissions stayed exactly the same at 236 admissions for both FY 11 and FY 12. Swing bed patient days increased by 3% due to an increase in length of stay for swing patients. Average swing bed length of stay increased from 9.9 days to 10.3 days. Outpatient visits increased by 8% to 45,975 visits in FY 2012. Operating room procedures were 2% below FY 2011's level due to a decrease in minor surgical procedures. Outpatient surgeries were 2 procedures below prior year levels. IP procedures were equal to FY 11 totals at 124 procedures for both fiscal years. Total operating room procedures in FY 2012 were 545 surgeries compared to 555 in FY 2011 with 74% of the surgeries being outpatient procedures.

Net Patient Service Revenue: Because of an increase in inpatient days and outpatient visits, net patient service revenues increased by \$1,688,880 or 8% compared to fiscal year 2011. 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 \$1,185,368 or 9% over FY 2011. The majority of the decrease came from Medicare contractual allowance decreases.

The following table presents the relative percentages of gross charges for patient services by payor for the years ended June 30, 2012, 2011 and 2010.

Table 3
Payor Mix by Percentage

	Year Ended June 30,		
	2012	2011	2010
Medicare	54%	56%	53%
Wellmark	22%	21%	24%
Other Commercial Insurance	13%	13%	12%
Medicaid	9%	9%	9%
All other	2%	1%	2%
Total	100%	100%	100%

Significant changes in operations from FY 2012:

Outpatient Revenue: There was a 1% or \$163,654 increase in outpatient revenue in FY 2012 compared to FY 2011. Increased outpatient revenues in lab, pharmacy, therapies and sleep lab account for the increased revenues.

Salaries and Employee Benefits: FY 2012 showed an 8.8%, or \$653,871 increase in salary and employee benefit expense compared to FY 2011. The primary reason for the increase is an increase other professional services salary expense.

Interest and Depreciation Expense: Interest expense decreased by \$80,926 from FY 2011 due to the maturing of one revenue bond. Depreciation expense decreased by \$21,146 from FY 2011 levels due aging of the existing equipment.

CAPITAL ASSETS

At the end of fiscal year 2012, the Jefferson County Health Center has invested \$32,031,494 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 2012.

The following table summarizes Jefferson County Health Center's capital assets as of June 30, 2012, 2011 and 2010.

Table 4
Capital Assets
(in Thousands)

	June 30,			
	2012	2011	Change	2010
Land	\$1,049.8	\$1,151.5	(\$101.7)	\$1,355.2
Land improvements	\$1,563.9	\$1,556.6	\$7.3	\$2,127.1
Buildings	\$32,292.8	\$32,128.9	\$163.9	\$45,246.4
Major moveable equipment	\$8,861.5	\$8,341.0	\$520.5	\$8,445.5
Construction in progress	\$4.0	\$37.9	(\$33.9)	\$.5
Subtotal	\$43,772	\$43,215.9	\$556.1	\$57,174.7
Less accumulated depreciation	(\$11,740.5)	(\$9,264.7)	\$2,475.8	(\$16,770.1)
Property, plant and equipment, net	\$32,031.5	\$33,951.2	(\$1,919.7)	\$40,404.6

DEBT ADMINISTRATION

Long-Term Debt

At year-end, Jefferson County Health Center had \$ 35,250,000 in long-term debt related to financing for a replacement facility. This has decreased from \$35,875,000 in fiscal year 2011. 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 206% of Jefferson County Health Center's equity as of year-end.

PERFORMANCE COMPARED TO BUDGET

Net patient revenues were \$1,381,747 or 7% over budget for the fiscal year ended June 30, 2012. This was due to less contractual allowances than budgeted.

Operating expenses were \$ 1,058,297 or 5% above budget for the year with salaries and benefits being on budget for the year. The other operating expenses reflect increases in other professional services department expenses.

Total non-operating gains were slightly under budget because lower than budgeted county tax receipts and a \$44,604 loss on sale of property.

The following table compares fiscal year 2012 actual to budget information.

Table 5
Budget vs. Actual
(In Thousands)

	FY 2012 Budget	FY 2012 Actual	Dollar Variance	Percent Variance
Gross patient service revenue	\$34,569.5	\$34,370.0	\$(199.5)	(0.6)%
Contractual adjustments and charity care	\$13,718.4	\$12,137.2	\$(1,581.2)	(11.5)%
Net patient service revenue	\$20,851.1	\$22,232.8	\$1,381.7	6.6%
Other operating revenue	\$2,124.3	\$3,458.1	\$1,333.8	62.8%
Total operating revenue	\$22,975.4	\$25,690.9	\$2,715.5	11.8%
Operating expenses	\$21,444.7	\$22,503.0	\$1,058.3	5.0%
Operating income	\$1,530.7	\$3,187.9	\$1,657.2	108.3%
Income from investments	\$342.3	\$468.0	\$125.7	36.7%
Other non-operating gains (losses)	\$1,085.3	\$1,019.7	(\$65.6)	(6.0)%
Interest expense	(\$1,975.4)	(\$1,938.8)	\$36.6	(1.8)%
Excess (deficiency) of revenue over expenses before contributions	\$982.9	\$2,736.8	\$1,753.9	178.4%

ECONOMIC AND OTHER FACTORS AND NEXT YEAR'S BUDGET

Jefferson County Health Center's Board and management considered many factors when setting the fiscal year 2013 budget. Of primary importance in setting the 2013 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Medicare and Medicaid reimbursement rates
- Privacy legislation (HIPAA)
- Increased expectations for quality at a lower price
- Workforce shortages
- Cost of supplies
- Surging drug costs
- Replacement facility loan costs

Contacting the Hospital's Finance Department

The Hospital's financial statements are designed to present users with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability. If you have questions about the report or need additional financial information, please contact the finance department at Jefferson County Health Center; 2000 S. Main; Fairfield, Iowa 52556. Phone number 641-472-4111.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
BALANCE SHEETS**

	June 30	
ASSETS	2012	2011
CURRENT ASSETS		
Cash	\$11,810,386	\$ 9,487,622
Assets whose use is limited, required for current liabilities	1,314,020	1,281,508
Patient receivables, less allowance for contractual adjustments and uncollectibles 2012 \$1,534,000; 2011 \$1,172,000	3,691,005	3,135,965
Other receivables	123,091	115,242
Estimated third-party payor settlements	100,000	-
Inventories	204,650	200,089
Prepaid expenses	278,505	322,226
Succeeding year property tax receivable	<u>1,070,200</u>	<u>1,063,800</u>
Total current assets	<u>18,591,857</u>	<u>15,606,452</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Certificates of deposit	-	185,000
Cash and cash equivalents	<u>182,481</u>	<u>-</u>
	<u>182,481</u>	<u>185,000</u>
Restricted by bond indenture agreement		
Cash and cash equivalents	2,311,490	1,408,829
U.S. Government Agency securities	<u>2,290,625</u>	<u>3,172,372</u>
	<u>4,602,115</u>	<u>4,581,201</u>
Restricted by donors for specific purpose		
Cash and cash equivalents	<u>45,337</u>	<u>44,709</u>
Total assets whose use is limited	<u>4,829,933</u>	<u>4,810,910</u>
Less assets whose use is limited, required for current liabilities	<u>1,314,020</u>	<u>1,281,508</u>
Noncurrent assets whose use is limited	<u>3,515,913</u>	<u>3,529,402</u>
CAPITAL ASSETS	43,771,980	43,215,885
Less accumulated depreciation	<u>11,740,486</u>	<u>9,264,652</u>
Total capital assets	<u>32,031,494</u>	<u>33,951,233</u>
OTHER ASSET		
Investment in joint ventures	<u>1,089,226</u>	<u>947,060</u>
Totals	<u>\$55,228,490</u>	<u>\$54,034,147</u>

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

	<u>Year ended June 30</u>	
	<u>2012</u>	<u>2011</u>
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2012 \$958,807; 2011 \$1,094,847	\$22,232,704	\$20,543,824
OTHER REVENUE	<u>3,458,119</u>	<u>621,876</u>
Total revenue	<u>25,690,823</u>	<u>21,165,700</u>
EXPENSES		
Nursing service	4,633,265	4,370,765
Other professional service	9,096,456	7,303,450
General service	1,915,477	1,993,150
Fiscal and administrative service and unassigned expenses	4,375,227	3,979,749
Provision for depreciation	<u>2,482,597</u>	<u>2,503,743</u>
Total expenses	<u>22,503,022</u>	<u>20,150,857</u>
Operating income	<u>3,187,801</u>	<u>1,014,843</u>
NONOPERATING GAINS (LOSSES)		
County taxes	1,064,318	1,076,390
Investment income	149,782	124,378
Interest expense	(1,938,793)	(2,019,719)
Equity in income of joint venture investments	318,163	114,753
(Loss) on sale of property and equipment	<u>(44,604)</u>	<u>(4,338,619)</u>
Total nonoperating gains (losses)	<u>(451,134)</u>	<u>(5,042,817)</u>
Excess (deficiency) of revenues over expenses before contributions	<u>2,736,667</u>	<u>(4,027,974)</u>
CONTRIBUTIONS		
Change in fund equity	<u>49,520</u>	<u>418,537</u>
	2,786,187	(3,609,437)
TOTAL FUND EQUITY		
Beginning	<u>13,983,128</u>	<u>17,592,565</u>
Ending	<u>\$16,769,315</u>	<u>\$13,983,128</u>

**Jefferson County Hospital
d/b/a Jefferson County 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	\$22,503,922	\$21,848,668
Cash paid to suppliers for goods and services	(11,954,942)	(10,075,138)
Cash paid to employees for services	(8,334,213)	(7,323,851)
Other operating revenue received	<u>1,866,022</u>	<u>574,868</u>
Net cash provided by operating activities	<u>4,080,789</u>	<u>5,024,547</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes received	<u>1,069,442</u>	<u>1,078,722</u>
Net cash provided by noncapital financing activities	<u>1,069,442</u>	<u>1,078,722</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets and construction in progress	(669,072)	(513,312)
Principal payments on long-term debt	(625,000)	(1,305,394)
Proceeds from sale of capital assets	61,610	124,263
Interest paid on long-term debt	(1,951,281)	(2,031,519)
Contributions restricted for purchase of capital assets	<u>49,520</u>	<u>418,537</u>
Net cash (used in) capital and related financing activities	<u>(3,134,223)</u>	<u>(3,307,425)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from investments in joint ventures	175,997	78,000
Investment income received	149,782	124,378
(Purchase) of U.S. Government Agency securities	-	(3,172,372)
Proceeds from U.S. Government Agency securities	884,266	-
Proceeds from certificates of deposit	<u>182,481</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>1,392,526</u>	<u>(2,969,994)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,408,534	(174,150)
CASH AND CASH EQUIVALENTS		
Beginning	<u>10,941,160</u>	<u>11,115,310</u>
Ending	<u>\$14,349,694</u>	<u>\$10,941,160</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 3,187,801	\$ 1,014,843
Adjustments to reconcile operating income to net cash provided by operating activities		
Provision for depreciation	2,482,597	2,503,743
Change in assets and liabilities		
(Increase) decrease in patient receivables	(555,040)	196,999
(Increase) in other receivables, net of noncapital financing activities	(12,973)	(47,008)
(Increase) in inventories	(4,561)	(36,919)
(Increase) decrease in prepaid expenses	43,721	(20,872)
Increase (decrease) in accounts payable, net of capital assets payable	(176,185)	176,168
Increase (decrease) in accrued employee compensation	(266,134)	90,357
Increase in payroll taxes and withholdings	134,429	39,391
(Increase) decrease in net estimated third-party payor settlements	<u>(752,866)</u>	<u>1,107,845</u>
Net cash provided by operating activities	<u>\$ 4,080,789</u>	<u>\$ 5,024,547</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Per balance sheet		
Current assets	\$11,810,386	\$ 9,487,622
Assets whose use is limited		
Restricted by bond indenture agreement	2,311,490	1,408,829
Restricted by donors for specific purpose	45,337	44,709
Designated by board for plant replacement and expansion	<u>182,481</u>	<u>—</u>
Total per statement of cash flows	<u>\$14,349,694</u>	<u>\$10,941,160</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 (Deficit)

Fund equity (deficit) 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.

**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, 2012 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, 2012 are as follows:

	<u>Maturities</u>	<u>Fair value</u>
Mutual funds	Daily	\$ 227,818
U.S. Government Agency Securities	July 2012 - June 2013	<u>2,290,625</u>
		<u>\$2,518,443</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, 2012, all of the Hospital's investments subject to credit quality ratings were rated AA+ by Moody's Investor Service.

NOTE 3 PATIENT RECEIVABLES

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

	June 30	
	2012	2011
Receivable from patients	\$1,083,957	\$ 282,271
Receivable from insurance carriers	1,731,490	1,946,080
Receivable from Medicare	1,872,946	1,795,304
Receivable from Medicaid	<u>536,612</u>	<u>284,310</u>
Total patient receivables	5,225,005	4,307,965
Less allowances for contractual and other adjustments	<u>(1,534,000)</u>	<u>(1,172,000)</u>
 Totals	 <u>\$3,691,005</u>	 <u>\$3,135,965</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, 2012:

	Bond Sinking Fund	Debt Service Reserve Fund	Interest Fund	Total
BALANCE, beginning	\$1,090,827	\$2,588,355	\$ 902,019	\$4,581,201
Deposits	653,779	-	1,931,726	2,585,505
Investment income	6,704	15,581	53	22,338
Fees	(1,720)	(5,197)	(4,209)	(11,126)
Principal payments	(625,000)	-	-	(625,000)
Interest payments	<u>-</u>	<u>-</u>	<u>(1,950,803)</u>	<u>(1,950,803)</u>
 BALANCE, ending	 <u>\$1,124,590</u>	 <u>\$2,598,739</u>	 <u>\$ 878,786</u>	 <u>\$4,602,115</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, 2010.

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, 2012 and 2011 follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2012</u>
Land	\$ 1,151,474	\$ -	\$ (101,694)	\$ -	\$ 1,049,780
Land improvements	1,556,558	7,280	-	-	1,563,838
Buildings	32,128,932	28,917	-	134,983	32,292,832
Equipment	8,340,966	356,336	(6,763)	170,991	8,861,530
Construction and equipment installations in progress	<u>37,955</u>	<u>276,539</u>	<u>(4,520)</u>	<u>(305,974)</u>	<u>4,000</u>
Totals	43,215,885	669,072	(112,977)	-	43,771,980
Less accumulated depreciation and amortization	<u>(9,264,652)</u>	<u>(2,482,597)</u>	<u>6,763</u>	<u>-</u>	<u>(11,740,486)</u>
Net capital assets	<u>\$33,951,233</u>	<u>\$(1,813,525)</u>	<u>\$ (106,214)</u>	<u>\$ -</u>	<u>\$32,031,494</u>

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

NOTE 6 CAPITAL ASSETS (continued)

	<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>

NOTE 7 LONG TERM DEBT

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 balance at June 30, 2012 is \$670,000.
- 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, 2012 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, 2012 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 Bonds, the Hospital has pledged all future revenue to pay the principal and interest. The 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, 2012 is \$67,209,167. The following is a comparison of the pledged revenues and the principal and interest requirements of the Bonds for the years ended June 30, 2012 and 2011:

	<u>Year ended June 30</u>	
	<u>2012</u>	<u>2011</u>
Change in fund equity	\$2,786,187	\$(3,609,437)
Provision for depreciation	2,482,597	2,503,743
Interest expense on the Notes and Bonds	1,938,793	2,019,719
Loss on sale of property	<u>44,604</u>	<u>4,338,619</u>
 Pledged revenues	 <u>\$7,252,181</u>	 <u>\$5,252,644</u>
 Principal and interest requirements	 <u>\$2,563,793</u>	 <u>\$2,565,620</u>

Principal and interest maturities of long-term debt at June 30, 2012 are summarized as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	810,000	1,776,430	2,586,430
2018-2022	4,650,000	8,267,481	12,917,481
2023-2027	5,980,000	6,948,913	12,928,913
2028-2032	7,870,000	5,058,763	12,928,763
2033-2037	10,540,000	2,387,526	12,927,526
2038	<u>2,510,000</u>	<u>74,673</u>	<u>2,584,673</u>
Total	35,250,000	31,959,167	67,209,167
Less current maturities	<u>670,000</u>	<u>1,911,925</u>	<u>2,581,925</u>
 Total long-term debt	 <u>\$34,580,000</u>	 <u>\$30,047,242</u>	 <u>\$64,627,242</u>

A summary of changes in long-term debt for the year ended June 30, 2012 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 Refunding Bonds (Series 2007B)	\$10,000,000	\$ —	\$ —	\$10,000,000	\$ —
Hospital Revenue Bonds (Series 2007A)	1,295,000	—	625,000	670,000	670,000
Hospital Revenue Bonds (Series 2007C)	<u>24,580,000</u>	<u>—</u>	<u>—</u>	<u>24,580,000</u>	<u>—</u>
 Totals	 <u>\$35,875,000</u>	 <u>\$ —</u>	 <u>\$ 625,000</u>	 <u>\$35,250,000</u>	 <u>\$ 670,000</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, 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>

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, 2012 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, 2012, regular plan members were required to contribute 5.38% of their annual salary and the Hospital is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$647,445, \$514,625 and \$467,670, 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, 2012 and 2011.

	2012	2011
Charges foregone, based on established rates	\$ <u>303,927</u>	\$ <u>401,244</u>
Equivalent percentage of charity care patients to all patients served	<u>.8%</u>	<u>1.2%</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 \$60,000 per person, with an aggregate stop-loss provision for the plan as a whole of approximately \$2,190,000. Total expense, which includes claims, administration fees, and stop-loss insurance, under this self-insurance program for the years ended June 30, 2012 and 2011 was \$840,705 and \$852,981, 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, 2012, the balance of the fund was being maintained in mutual funds with a total balance of \$45,337.

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 \$318,163 in 2012 and \$114,753 in 2011.

**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

2013	\$ 144,208
2014	<u>72,104</u>
Total	<u>\$ 216,312</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, 2012**

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	\$ 1,064,318	\$ —	\$ 1,064,318	\$ —	\$ 1,064,318	\$ 1,064,318
Other revenue/receipts	<u>26,163,056</u>	<u>628</u>	<u>26,163,684</u>	<u>—</u>	<u>26,163,684</u>	<u>22,317,298</u>
	27,227,374	628	27,228,002	—	27,228,002	23,381,616
Expenses/expenditures	<u>24,441,815</u>	<u>—</u>	<u>24,441,815</u>	<u>(967,781)</u>	<u>23,474,034</u>	<u>24,314,824</u>
Net	2,785,559	628	2,786,187	(967,781)	3,753,968	(933,208)
Balance, beginning	<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>6,489,919</u>
Balance, ending	<u>\$16,723,978</u>	<u>\$ 45,337</u>	<u>\$16,769,315</u>	<u>\$(16,031,140)</u>	<u>\$ 738,175</u>	<u>\$ 5,556,711</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, 2012 and 2011, and have issued our reports thereon dated October 18, 2012 and October 4, 2011, 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, 2010 and 2009, and expressed unqualified opinions on those financial statements.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 18, 2012

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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
0 – 30 days (includes patients in Hospital at end of year)	\$2,560,155	\$2,393,169	50.31%	57.09%
31 – 60 days	1,196,058	809,162	23.50	19.30
61 – 90 days	368,636	321,551	7.25	7.67
Over 90 days	<u>963,810</u>	<u>668,090</u>	<u>18.94</u>	<u>15.94</u>
	<u>5,088,659</u>	<u>4,191,972</u>	<u>100.00%</u>	<u>100.00%</u>
Physician Clinic	<u>136,346</u>	<u>115,993</u>		
Total receivables	<u>5,225,005</u>	<u>4,307,965</u>		
Allowances				
Contractual				
Medicare	797,000	742,000		
Medicaid and Wellmark	571,000	288,000		
Uncollectibles	111,000	96,000		
Physician Clinic	<u>55,000</u>	<u>46,000</u>		
Total allowances	<u>1,534,000</u>	<u>1,172,000</u>		
Totals	<u>\$3,691,005</u>	<u>\$3,135,965</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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
BALANCE , beginning	\$ 96,000	\$ 92,000		
ADD				
Provision for bad debts	958,807	1,094,847	4.31%	5.33%
DEDUCT				
Accounts written off	<u>(943,807)</u>	<u>(1,090,847)</u>	4.25	5.31
BALANCE , ending	<u>\$ 111,000</u>	<u>\$ 96,000</u>		

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

	<u>June 30</u>		<u>Increase (decrease)</u>
	<u>2012</u>	<u>2011</u>	
Storeroom	\$ 54,146	\$ 51,865	\$ 2,281
Pharmacy	87,365	89,407	(2,042)
Dietary	16,967	18,679	(1,712)
Uniforms and linen	<u>46,172</u>	<u>40,138</u>	<u>6,034</u>
Totals	<u>\$ 204,650</u>	<u>\$ 200,089</u>	<u>\$ 4,561</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
INSURANCE COVERAGE
June 30, 2012**

<u>Insurer</u>	<u>Coverage Type</u>	<u>Effective Dates</u>	<u>Coverage Amount</u>
Chubb	Directors and Officers	July 2011 to July 2012	\$2,000,000
Travelers	Employee Honesty Bond	May 2012 to May 2013	\$100,000/employee
Midwest Medical Insurance	Physician Liability Coverage	January 2012 to January 2013	
	Each claim		\$2,000,000
	Total facility		\$4,000,000
Pro Assurance	Physician Liability Coverage	August 2011 to August 2012	
	Each claim		\$1,000,000
	Aggregate		\$3,000,000
	Excess coverage - each claim		\$1,000,000
	Excess coverage - aggregate		\$1,000,000
Coverys Insurance	Hospital General Liability/ Medical Professional Liability	May 2012 to May 2013	
	Each claim		\$1,000,000
	Total facility		\$3,000,000
Coverys Insurance	Umbrella Excess Liability	May 2012 to May 2013	
	Each claim		\$7,000,000
	Total facility		\$7,000,000
General Casualty	Business Auto	May 2012 to May 2013	\$1,000,000
General Casualty	Building and Contents	May 2012 to May 2013	\$39,017,740
	Business Interruption		\$11,812,500

The summary of insurance coverage is presented on the basis of information obtained from policies on file at the Hospital.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
PATIENT SERVICE REVENUE**

	Total		Increase (decrease)
	Year ended June 30		
	2012	2011	
DAILY PATIENT SERVICES			
Medical and surgical	\$ 2,573,945	\$ 2,386,306	\$ 187,639
Critical care unit	49,700	31,050	18,650
Swing bed	<u>1,307,368</u>	<u>1,242,755</u>	<u>64,613</u>
	<u>3,931,013</u>	<u>3,660,111</u>	<u>270,902</u>
OTHER NURSING SERVICES			
Operating and recovery rooms	5,497,285	5,817,617	(320,332)
Central supply	251,397	250,413	984
Emergency services	<u>4,151,047</u>	<u>4,305,846</u>	<u>(154,799)</u>
	<u>9,899,729</u>	<u>10,373,876</u>	<u>(474,147)</u>
OTHER PROFESSIONAL SERVICES			
Laboratory and blood bank	5,580,873	5,273,464	307,409
Electrocardiology	415,839	435,071	(19,232)
Radiology	2,830,495	2,759,224	71,271
CT scans	2,155,025	2,250,305	(95,280)
Magnetic resonance imaging	1,215,147	1,460,929	(245,782)
Pharmacy	2,890,419	2,498,253	392,166
Anesthesiology	581,135	715,225	(134,090)
Respiratory therapy	1,015,701	879,467	136,234
Physical therapy	1,632,743	1,487,714	145,029
Speech therapy	110,860	65,165	45,695
Occupational therapy	344,687	320,283	24,404
Oncology	17,923	4,726	13,197
Medical arts	169,544	169,276	268
Physician clinic	933,908	1,018,718	(84,810)
Peasley clinic	-	78,871	(78,871)
Sleep lab	598,530	513,050	85,480
Rheumatology	<u>46,352</u>	<u>-</u>	<u>46,352</u>
	<u>20,539,181</u>	<u>19,929,741</u>	<u>609,440</u>
	34,369,923	33,963,728	406,195
Charity care charges foregone, based on established rates	<u>(303,927)</u>	<u>(401,244)</u>	<u>97,317</u>
Total gross patient service revenue	34,065,996	33,562,484	503,512
Provisions for contractual and other adjustments	<u>(11,833,292)</u>	<u>(13,018,660)</u>	<u>1,185,368</u>
Net patient service revenue	<u>\$22,232,704</u>	<u>\$20,543,824</u>	<u>\$1,688,880</u>

Inpatient			Outpatient		
Year ended June 30		Increase (decrease)	Year ended June 30		Increase (decrease)
2012	2011		2012	2011	
\$2,573,945	\$2,386,306	\$ 187,639	\$ -	\$ -	\$ -
49,700	31,050	18,650	-	-	-
1,307,368	1,242,755	64,613	-	-	-
<u>3,931,013</u>	<u>3,660,111</u>	<u>270,902</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,214,453	1,366,421	(151,968)	4,282,832	4,451,196	(168,364)
245,635	243,459	2,176	5,762	6,954	(1,192)
93,125	76,171	16,954	<u>4,057,922</u>	<u>4,229,675</u>	<u>(171,753)</u>
<u>1,553,213</u>	<u>1,686,051</u>	<u>(132,838)</u>	<u>8,346,516</u>	<u>8,687,825</u>	<u>(341,309)</u>
584,809	586,683	(1,874)	4,996,064	4,686,781	309,283
21,606	25,197	(3,591)	394,233	409,874	(15,641)
213,292	190,669	22,623	2,617,203	2,568,555	48,648
136,360	184,529	(48,169)	2,018,665	2,065,776	(47,111)
52,404	59,635	(7,231)	1,162,743	1,401,294	(238,551)
919,444	892,547	26,897	1,970,975	1,605,706	365,269
155,380	183,540	(28,160)	425,755	531,685	(105,930)
784,493	729,753	54,740	231,208	149,714	81,494
562,083	507,057	55,026	1,070,660	980,657	90,003
40,847	27,833	13,014	70,013	37,332	32,681
211,756	190,394	21,362	132,931	129,889	3,042
-	160	(160)	17,923	4,566	13,357
-	-	-	169,544	169,276	268
-	-	-	933,908	1,018,718	(84,810)
-	-	-	-	78,871	(78,871)
-	-	-	598,530	513,050	85,480
-	-	-	46,352	-	46,352
<u>3,682,474</u>	<u>3,577,997</u>	<u>104,477</u>	<u>16,856,707</u>	<u>16,351,744</u>	<u>504,963</u>
<u>\$9,166,700</u>	<u>\$8,924,159</u>	<u>\$ 242,541</u>	<u>\$25,203,223</u>	<u>\$25,039,569</u>	<u>\$ 163,654</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>2012</u>	<u>2011</u>	
Contractual adjustments			
Medicare	\$ 6,378,100	\$ 7,212,896	\$ (834,796)
Medicaid	1,328,914	1,369,993	(41,079)
Wellmark	2,133,088	2,142,683	(9,595)
Provision for bad debts	958,807	1,094,847	(136,040)
Discounts and other adjustments	<u>1,034,383</u>	<u>1,198,241</u>	<u>(163,858)</u>
 Totals	 <u>\$11,833,292</u>	 <u>\$13,018,660</u>	 <u>\$(1,185,368)</u>

OTHER REVENUE

	<u>Year ended June 30</u>		<u>Increase (decrease)</u>
	<u>2012</u>	<u>2011</u>	
Electronic health records meaningful use incentive revenue	\$ 685,348	\$ —	\$ 685,348
340(b) program revenue	1,579,124	—	1,579,124
Employee and guest meals	75,192	61,882	13,310
Lifeline	72,719	70,491	2,228
Specialty clinics rent	28,035	28,515	(480)
Rental income, net	46,539	36,543	9,996
Miscellaneous, net	<u>971,162</u>	<u>424,445</u>	<u>546,717</u>
 Totals	 <u>\$3,458,119</u>	 <u>\$ 621,876</u>	 <u>\$2,836,243</u>

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

	<u>Year ended June 30</u>		<u>Increase</u>
	<u>2012</u>	<u>2011</u>	<u>(decrease)</u>
ADMINISTRATIVE			
Salaries	\$ 179,568	\$ 177,163	\$ 2,405
Supplies and expense	<u>10,535</u>	<u>13,004</u>	<u>(2,469)</u>
	<u>190,103</u>	<u>190,167</u>	<u>(64)</u>
MEDICAL AND SURGICAL			
Salaries	1,292,857	1,165,392	127,465
Supplies and expense	<u>192,008</u>	<u>144,726</u>	<u>47,282</u>
	<u>1,484,865</u>	<u>1,310,118</u>	<u>174,747</u>
CRITICAL CARE UNIT			
Salaries	<u>13,068</u>	<u>7,296</u>	<u>5,772</u>
OPERATING AND RECOVERY ROOMS			
Salaries	450,393	440,386	10,007
Supplies and expense	<u>476,604</u>	<u>499,030</u>	<u>(22,426)</u>
	<u>926,997</u>	<u>939,416</u>	<u>(12,419)</u>
CENTRAL SUPPLY			
Salaries	30,423	23,910	6,513
Supplies and expense	<u>70,339</u>	<u>63,310</u>	<u>7,029</u>
	<u>100,762</u>	<u>87,220</u>	<u>13,542</u>
EMERGENCY SERVICES			
Salaries	748,183	713,249	34,934
Professional fees	1,103,228	1,060,834	42,394
Supplies and expense	<u>66,059</u>	<u>62,465</u>	<u>3,594</u>
	<u>1,917,470</u>	<u>1,836,548</u>	<u>80,922</u>
Totals	<u>\$4,633,265</u>	<u>\$4,370,765</u>	<u>\$ 262,500</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>2012</u>	<u>2011</u>	
LABORATORY AND BLOOD BANK			
Salaries	\$ 478,170	\$ 461,066	\$ 17,104
Professional fees	204,658	171,720	32,938
Supplies and expense	<u>486,320</u>	<u>437,346</u>	<u>48,974</u>
	<u>1,169,148</u>	<u>1,070,132</u>	<u>99,016</u>
ELECTROCARDIOLOGY			
Salaries	46,195	43,518	2,677
Professional fees	3,456	3,456	-
Supplies and expense	<u>14,818</u>	<u>20,302</u>	<u>(5,484)</u>
	<u>64,469</u>	<u>67,276</u>	<u>(2,807)</u>
RADIOLOGY			
Salaries	493,008	475,534	17,474
Professional fees	213,753	205,095	8,658
Supplies and expense	<u>408,915</u>	<u>386,237</u>	<u>22,678</u>
	<u>1,115,676</u>	<u>1,066,866</u>	<u>48,810</u>
CT SCANS			
Supplies and expense	<u>272,647</u>	<u>285,397</u>	<u>(12,750)</u>
MAGNETIC RESONANCE IMAGING			
Professional fees	277,950	330,800	(52,850)
Supplies and expenses	<u>8,405</u>	<u>4,251</u>	<u>4,154</u>
	<u>286,355</u>	<u>335,051</u>	<u>(48,696)</u>
PHARMACY			
Salaries	154,937	142,636	12,301
Professional fees	11,500	10,500	1,000
Drugs	1,275,022	667,085	607,937
Supplies and expense	<u>58,917</u>	<u>26,494</u>	<u>32,423</u>
	<u>1,500,376</u>	<u>846,715</u>	<u>653,661</u>
ANESTHESIOLOGY			
Professional fees	277,540	386,980	(109,440)
Supplies and expense	<u>21,263</u>	<u>21,304</u>	<u>(41)</u>
	<u>298,803</u>	<u>408,284</u>	<u>(109,481)</u>
RESPIRATORY THERAPY			
Salaries	81,686	73,550	8,136
Oxygen	18,253	16,178	2,075
Supplies and expense	<u>36,853</u>	<u>7,577</u>	<u>29,276</u>
	<u>136,792</u>	<u>97,305</u>	<u>39,487</u>
PHYSICAL THERAPY			
Salaries	13,405	11,326	2,079
Professional fees	769,412	691,298	78,114
Supplies and expense	<u>20,349</u>	<u>21,981</u>	<u>(1,632)</u>
	<u>803,166</u>	<u>724,605</u>	<u>78,561</u>
SPEECH THERAPY			
Professional fees	<u>25,261</u>	<u>14,611</u>	<u>10,650</u>

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

	<u>Year ended June 30</u>		<u>Increase (decrease)</u>
	<u>2012</u>	<u>2011</u>	
OCCUPATIONAL THERAPY			
Professional fees	\$ 157,136	\$ 143,244	\$ 13,892
Supplies and expense	<u>4,427</u>	<u>2,392</u>	<u>2,035</u>
	<u>161,563</u>	<u>145,636</u>	<u>15,927</u>
PHYSICIANS CLINIC			
Salaries	894,728	838,801	55,927
Supplies and expense	<u>46,167</u>	<u>16,717</u>	<u>29,450</u>
	<u>940,895</u>	<u>855,518</u>	<u>85,377</u>
FAIRFIELD CLINIC			
Salaries	195,936	135,013	60,923
Supplies and expense	<u>223,013</u>	<u>113,416</u>	<u>109,597</u>
	<u>418,949</u>	<u>248,429</u>	<u>170,520</u>
PEASLEY CLINIC			
Supplies and expense	<u>—</u>	<u>22,758</u>	<u>(22,758)</u>
MEDICAL RECORDS			
Salaries	265,819	265,334	485
Supplies and expense	<u>120,519</u>	<u>116,195</u>	<u>4,324</u>
	<u>386,338</u>	<u>381,529</u>	<u>4,809</u>
QUALITY ASSURANCE			
Salaries	191,073	191,524	(451)
Supplies and expense	<u>19,227</u>	<u>20,044</u>	<u>(817)</u>
	<u>210,300</u>	<u>211,568</u>	<u>(1,268)</u>
MEDICAL ARTS			
Salaries	471,641	198,045	273,596
Supplies and expense	<u>605,140</u>	<u>217,496</u>	<u>387,644</u>
	<u>1,076,781</u>	<u>415,541</u>	<u>661,240</u>
SLEEP LAB			
Salaries	80,615	74,377	6,238
Supplies and expense	<u>8,167</u>	<u>9,888</u>	<u>(1,721)</u>
	<u>88,782</u>	<u>84,265</u>	<u>4,517</u>
RHEUMATOLOGY			
Salaries	1,160	—	1,160
Supplies and expense	<u>59,964</u>	<u>—</u>	<u>59,964</u>
	<u>61,124</u>	<u>—</u>	<u>61,124</u>
ONCOLOGY			
Salaries	1,542	—	1,542
Supplies and expense	<u>65,277</u>	<u>12,674</u>	<u>52,603</u>
	<u>66,819</u>	<u>12,674</u>	<u>54,145</u>
DIALYSIS			
Salaries	7,353	5,963	1,390
Supplies and expense	<u>4,859</u>	<u>3,327</u>	<u>1,532</u>
	<u>12,212</u>	<u>9,290</u>	<u>2,922</u>
Totals	<u>\$9,096,456</u>	<u>\$7,303,450</u>	<u>\$1,793,006</u>

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

	<u>Year ended June 30</u>		<u>Increase (decrease)</u>
	<u>2012</u>	<u>2011</u>	
DIETARY			
Salaries	\$ 335,938	\$ 340,516	\$ (4,578)
Food	139,979	114,300	25,679
Supplies and expense	<u>60,261</u>	<u>79,240</u>	<u>(18,979)</u>
	<u>536,178</u>	<u>534,056</u>	<u>2,122</u>
PLANT OPERATION AND MAINTENANCE			
Salaries	335,372	340,610	(5,238)
Utilities	407,851	511,721	(103,870)
Supplies and expense	<u>225,323</u>	<u>177,482</u>	<u>47,841</u>
	<u>968,546</u>	<u>1,029,813</u>	<u>(61,267)</u>
BIO MEDICAL			
Salaries	2,988	63,266	(60,278)
Supplies and expense	<u>28,770</u>	<u>48</u>	<u>28,722</u>
	<u>31,758</u>	<u>63,314</u>	<u>(31,556)</u>
HOUSEKEEPING			
Salaries	250,699	244,571	6,128
Supplies and expense	<u>46,490</u>	<u>52,889</u>	<u>(6,399)</u>
	<u>297,189</u>	<u>297,460</u>	<u>(271)</u>
LAUNDRY AND LINEN			
Salaries	63,066	44,236	18,830
Supplies and expense	<u>18,740</u>	<u>24,271</u>	<u>(5,531)</u>
	<u>81,806</u>	<u>68,507</u>	<u>13,299</u>
Totals	<u>\$1,915,477</u>	<u>\$1,993,150</u>	<u>\$ (77,673)</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 (decrease)</u>
	<u>2012</u>	<u>2011</u>	
FISCAL AND ADMINISTRATIVE SERVICE			
Salaries			
Administrative	\$ 121,062	\$ 111,631	\$ 9,431
Fiscal and accounting	520,535	505,985	14,550
Purchasing and stores	85,122	80,423	4,699
Public relations	59,358	57,489	1,869
Data processing	99,818	85,264	14,554
Human resources	102,361	96,134	6,227
Data processing expense	290,724	287,304	3,420
Human resources supplies and expenses	32,968	22,555	10,413
Professional fees	12,182	10,289	1,893
Office supplies and expenses	389,058	366,110	22,948
Telephone	55,879	55,231	648
Collection fees	171,189	44,731	126,458
Purchasing and stores expense	20,099	26,486	(6,387)
Public relations expense	13,138	5,358	7,780
UNASSIGNED EXPENSES			
Physician recruiting	32,720	28,135	4,585
Insurance	156,500	148,028	8,472
Employee benefits			
FICA	553,372	510,751	42,621
IPERS	647,445	514,625	132,820
Group health insurance	840,705	852,981	(12,276)
Group disability insurance	30,618	31,120	(502)
Workers' compensation	98,645	99,152	(507)
Unemployment compensation	4,241	28,682	(24,441)
Other employee benefits	37,488	11,285	26,203
Totals	<u>\$4,375,227</u>	<u>\$3,979,749</u>	<u>\$ 395,478</u>

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

	<u>Year ended June 30</u>			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2008</u>
NET PATIENT SERVICE REVENUE	\$22,232,704	\$20,543,824	\$19,323,348	\$18,592,089
OTHER REVENUE	<u>3,458,119</u>	<u>621,876</u>	<u>845,380</u>	<u>897,808</u>
Total revenue	<u>25,690,823</u>	<u>21,165,700</u>	<u>20,168,728</u>	<u>19,489,897</u>
EXPENSES				
Salaries	8,068,079	7,414,208	7,315,815	8,293,040
Supplies, professional fees and other expenses	11,952,346	10,232,906	9,917,030	10,451,758
Provision for depreciation	<u>2,482,597</u>	<u>2,503,743</u>	<u>3,039,525</u>	<u>1,812,662</u>
Total expenses	<u>22,503,022</u>	<u>20,150,857</u>	<u>20,272,370</u>	<u>20,557,460</u>
Operating income (loss)	<u>3,187,801</u>	<u>1,014,843</u>	<u>(103,642)</u>	<u>(1,067,563)</u>
NONOPERATING GAINS (LOSSES)				
County taxes	1,064,318	1,076,390	1,008,295	794,472
Investment income and equity in net income of joint venture investments	467,945	239,131	285,917	206,004
Interest expense	(1,938,793)	(2,019,719)	(2,060,805)	(536,361)
Gain (loss) on sale of property and equipment	<u>(44,604)</u>	<u>(4,338,619)</u>	<u>(575,305)</u>	<u>7,342</u>
Total nonoperating gains (losses)	<u>(451,134)</u>	<u>(5,042,817)</u>	<u>(1,341,898)</u>	<u>471,457</u>
Excess (deficiency) of revenues over expenses before contributions	2,736,667	(4,027,974)	(1,445,540)	(596,106)
CONTRIBUTIONS	<u>49,520</u>	<u>418,537</u>	<u>233,793</u>	<u>268,039</u>
Change in fund equity	<u>\$ 2,786,187</u>	<u>\$ (3,609,437)</u>	<u>\$ (1,211,747)</u>	<u>\$ (328,067)</u>

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

	Year ended June 30	
	<u>2012</u>	<u>2011</u>
PATIENT DAYS		
Adult and pediatric	<u>2,167</u>	<u>2,097</u>
Swing bed		
Skilled nursing care	<u>2,411</u>	<u>2,345</u>
Total patient days	<u>4,578</u>	<u>4,442</u>
ADMISSIONS		
Adult and pediatric	599	552
Swing bed	<u>236</u>	<u>236</u>
Total admissions	<u>835</u>	<u>788</u>
DISCHARGES		
Adult and pediatric	597	555
Swing bed	<u>235</u>	<u>237</u>
Total discharges	<u>832</u>	<u>792</u>
AVERAGE LENGTH OF STAY		
Adult and pediatric	3.63	3.78
Swing bed	10.26	9.89
BEDS		
Adult and pediatric	25	25
OCCUPANCY PERCENT		
Adult and pediatric	23.68%	22.98%
Swing bed	26.35%	25.70%
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	\$60,745	\$56,284
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES AT END OF YEAR	61	56

**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, 2012, and have issued our report thereon dated October 18, 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

Management of Jefferson County Hospital is responsible for establishing and maintaining effective 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, 2012 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 18, 2012

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

**Jefferson County Hospital
d/b/a Jefferson County 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 operating expenses with budget basis expenditures, it appears the Hospital did not exceed its budget for the year ended June 30, 2012.

12-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Hospital funds were noted.

12-II-C TRAVEL EXPENSES

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

12-II-D BUSINESS TRANSACTIONS

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