

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

FINANCIAL REPORT

June 30, 2013

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**Jackson County Regional Health Center
OFFICIALS
June 30, 2013**

BOARD OF TRUSTEES

Expiration of term

Officers

Kevin Burns, Chairperson

December 31, 2018

Gloria Jorgensen, Vice Chairperson

December 31, 2018

Eilene Busch, Secretary

December 31, 2014

Dwain Trenkamp, Treasurer

December 31, 2018

Members

Leighton Hepker

December 31, 2016

Mike Nickeson

December 31, 2016

Bob Specht

December 31, 2014

CHIEF EXECUTIVE OFFICER

Curt Coleman

INTERIM CHIEF FINANCIAL OFFICER

Nancy Kohrt

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Jackson County Regional Health Center
Maquoketa, Iowa

We have audited the accompanying financial statements of Jackson County Regional Health Center, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Health Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the retiree health plan on pages 6-10 and 23, respectively, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2013, on our consideration of the Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of law, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Center's internal control over financial reporting and compliance.



DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 2, 2013

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, 2013 and 2012. 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 net position. 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 \$1,785,905, or 7%, to \$26,063,342
- Total assets whose use is limited decreased by \$262,114 to \$9,322,452
- Total property and equipment decreased by \$110,950 to \$8,105,513
- Total net position increased by \$1,128,250 to \$23,411,675
- Net patient service revenue increased by \$374,093, or 3%, to \$12,957,088
- Expenses increased by \$84,509, or 1%, to \$13,001,475

Financial Analysis of the Health Center

The balance sheet and the statement of revenues, expenses, and changes in net position report the net position of the Health Center and the changes in them. The Health Center's net position, 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 net position 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		
	2013	2012	2011
Current assets	\$ 7,685,377	\$ 5,526,408	\$ 5,443,587
Assets whose use is limited	9,322,452	9,584,566	8,509,238
Property and equipment	8,105,513	8,216,463	8,751,896
Other asset	<u>950,000</u>	<u>950,000</u>	<u>850,000</u>
Total assets	<u>\$26,063,342</u>	<u>\$24,277,437</u>	<u>\$23,554,721</u>
Current liabilities	\$ 1,701,667	\$ 1,044,012	\$ 1,183,756
Other noncurrent liabilities	<u>950,000</u>	<u>950,000</u>	<u>850,000</u>
Total liabilities	<u>\$ 2,651,667</u>	<u>\$ 1,994,012</u>	<u>\$ 2,033,756</u>
Net investment in capital assets	\$ 8,105,513	\$ 8,216,463	\$ 8,751,896
Unrestricted	<u>15,306,162</u>	<u>14,066,962</u>	<u>12,769,069</u>
Total net position	<u>\$23,411,675</u>	<u>\$22,283,425</u>	<u>\$21,520,965</u>

As depicted in Table 1, total assets increased in fiscal year 2013 to \$26,063,342. The change in total assets results primarily from an increase in cash and cash equivalents 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 net position is presented in Table 2.

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Year ended June 30		
	2013	2012	2011
Net patient service revenue	\$12,957,088	\$12,582,995	\$12,161,874
Other revenue	<u>137,811</u>	<u>136,672</u>	<u>199,989</u>
Total revenue	<u>13,094,899</u>	<u>12,719,667</u>	<u>12,361,863</u>
Salaries	5,041,193	5,229,943	5,205,948
Supplies and expenses	6,798,193	6,550,062	6,260,527
Provision for depreciation	<u>1,162,089</u>	<u>1,136,961</u>	<u>1,156,753</u>
Total expenses	<u>13,001,475</u>	<u>12,916,966</u>	<u>12,623,228</u>
Operating income (loss)	<u>93,424</u>	<u>(197,299)</u>	<u>(261,365)</u>
County taxes	952,860	851,786	856,973
Investment income	80,251	99,132	123,273
Gain (loss) on sale of equipment	1,200	(15,411)	12,621
Unrestricted contributions	<u>515</u>	<u>24,252</u>	<u>38,861</u>
Total nonoperating gains	<u>1,034,826</u>	<u>959,759</u>	<u>1,031,728</u>
Change in net position	1,128,250	762,460	770,363
Total net position, beginning	<u>22,283,425</u>	<u>21,520,965</u>	<u>20,750,602</u>
Total net position, ending	<u>\$23,411,675</u>	<u>\$22,283,425</u>	<u>\$21,520,965</u>

Operating and Financial Performance

The following summarizes the Health Center's statements of revenues, expenses and changes in net position between June 30, 2013 and 2012.

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 2013 were 144 compared to 140 in fiscal year 2012. Average length of stay was 2.81 for fiscal year 2013 compared to 2.87 in fiscal year 2012 as patient days increased to 405 from 402 in 2012. Volume on the outpatient side indicated positive growth in 2013. In 2013, gross outpatient charges increased to \$18,805,559 compared to \$17,093,200 in 2012. Emergency service, laboratory, radiology and physical therapy reflected the most significant increases in 2013.

Price Increase: As is customary annually, the Health Center did review its charge structure and incorporated certain price increases in 2013. Overall, gross patient service revenue increased to \$19,925,688 from \$18,345,537 in 2012.

Payor Mix: The Health Center is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. Contractual adjustments and bad debts were \$6,968,600 in 2013 compared to \$5,762,542 in 2012, representing 35% and 31% of gross patient charges for 2013 and 2012, 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>2013</u>	<u>2012</u>	<u>2011</u>
Medicare	48%	48%	46%
Medicaid	13	14	13
Commercial insurance	33	32	35
Patients	<u>6</u>	<u>6</u>	<u>6</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue slightly increased to \$137,811 in 2013 compared to \$136,672 in 2012.

Expenses

Approximately 39% of Health Center's expenses are for salaries. Total salaries decreased by 4% to \$5,041,193 in 2013 from \$5,229,943 in 2012. The Health Center departments experiencing the most significant decreases in 2013 were nursing administration, general surgery and medical records.

Approximately 52% of Health Center's expenses are for supplies and expenses. Total supplies and expenses increased by 4% to \$6,798,193 in 2013 from \$6,550,062 in 2012. The Health Center departments experiencing the most significant increases were medical and surgical, general surgery and administrative.

Approximately 9% of Health Center's expenses relate to provision for depreciation. The provision for depreciation increased to \$1,162,089 in 2013 from \$1,136,961 in 2012.

Nonoperating Gains

Nonoperating gains increased to \$1,034,826 from \$959,759 in 2012 primarily due to an increase in county taxes.

Property and Equipment

At the end of 2013, the Health Center had \$8,105,513 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 2013, \$1,126,382 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		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 134,101	\$ 134,101	\$ 134,101
Land improvements	174,143	174,143	170,710
Building and improvement	15,937,817	15,973,291	15,874,729
Major movable equipment	<u>7,047,361</u>	<u>6,001,590</u>	<u>5,781,635</u>
Subtotal	23,293,422	22,283,125	21,961,175
Less accumulated depreciation	<u>(15,187,909)</u>	<u>(14,066,662)</u>	<u>(13,209,279)</u>
Property and equipment	<u>\$ 8,105,513</u>	<u>\$ 8,216,463</u>	<u>\$ 8,751,896</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 2013 actual cash basis financial information to its annual County Hospital budget is presented in Table 5.

Table 5
Actual vs Budget

	<u>Actual cash basis</u>	<u>Annual County Hospital budget</u>	<u>Variance</u>
Amount to be raised by taxation	\$ 952,860	\$ 928,224	\$ 24,636
Other revenues/receipts	<u>13,176,865</u>	<u>13,094,747</u>	<u>82,118</u>
	14,129,725	14,022,971	106,754
Expenses/expenditures	<u>12,965,768</u>	<u>20,453,699</u>	<u>(7,487,931)</u>
Net	<u>\$ 1,163,957</u>	<u>\$ (6,430,728)</u>	<u>\$ 7,594,685</u>

Actual other revenues/receipts results were higher than County Hospital budget primarily due to higher than expected outpatient 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 2014 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: Interim 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	
	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,665,100	\$ 2,816,589
Patient receivables, less allowances for contractual adjustments and bad debts	2,408,961	1,911,516
Other receivables	11,413	10,191
Estimated third-party payor settlements	75,000	245,000
Inventories	398,823	428,069
Prepaid expenses	<u>126,080</u>	<u>115,043</u>
Total current assets	<u>7,685,377</u>	<u>5,526,408</u>
ASSETS WHOSE USE IS LIMITED		
Cash and cash equivalents designated by board for plant replacement and expansion	<u>9,322,452</u>	<u>9,584,566</u>
PROPERTY AND EQUIPMENT		
Less accumulated depreciation	23,293,422	22,283,125
Total property and equipment	<u>15,187,909</u>	<u>14,066,662</u>
	<u>8,105,513</u>	<u>8,216,463</u>
OTHER ASSET		
Succeeding year property tax receivable	<u>950,000</u>	<u>950,000</u>
Totals	<u>\$26,063,342</u>	<u>\$24,277,437</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 641,986	\$ 353,492
Accrued employee compensation	426,644	425,133
Payroll taxes and amounts withheld from employees	133,037	155,387
Estimated third-party payor settlements	<u>500,000</u>	<u>110,000</u>
Total current liabilities	<u>1,701,667</u>	<u>1,044,012</u>
DEFERRED REVENUE FOR SUCCEEDING YEAR PROPERTY TAX RECEIVABLE		
	<u>950,000</u>	<u>950,000</u>
NET POSITION		
Net investment in capital assets	8,105,513	8,216,463
Unrestricted	<u>15,306,162</u>	<u>14,066,962</u>
Total net position	<u>23,411,675</u>	<u>22,283,425</u>
Totals	<u>\$26,063,342</u>	<u>\$24,277,437</u>

See Notes to Financial Statements.

Jackson County Regional Health Center
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year ended June 30	
	2013	2012
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2013 \$1,001,195; 2012 \$767,404	\$12,957,088	\$12,582,995
OTHER REVENUE	<u>137,811</u>	<u>136,672</u>
Total revenue	<u>13,094,899</u>	<u>12,719,667</u>
EXPENSES		
Nursing service	3,970,976	3,860,420
Other professional service	3,553,462	3,743,670
General service	1,150,582	1,178,918
Fiscal and administrative service and unassigned expenses	3,164,366	2,996,997
Provision for depreciation	<u>1,162,089</u>	<u>1,136,961</u>
Total operating expenses	<u>13,001,475</u>	<u>12,916,966</u>
Operating income (loss)	<u>93,424</u>	<u>(197,299)</u>
NONOPERATING GAINS		
County taxes	952,860	851,786
Interest income	80,251	99,132
Gain (loss) on disposal of equipment	1,200	(15,411)
Unrestricted contributions	<u>515</u>	<u>24,252</u>
Total nonoperating gains	<u>1,034,826</u>	<u>959,759</u>
Change in net position	1,128,250	762,460
TOTAL NET POSITION		
Beginning	<u>22,283,425</u>	<u>21,520,965</u>
Ending	<u>\$23,411,675</u>	<u>\$22,283,425</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$13,019,643	\$12,331,916
Cash paid to suppliers for goods and services	(6,519,236)	(6,575,264)
Cash paid to employees for services	(5,039,682)	(5,389,538)
Other operating revenue received	<u>137,811</u>	<u>136,672</u>
Net cash provided by operating activities	<u>1,598,536</u>	<u>503,786</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes	952,860	851,786
Contributions received	<u>515</u>	<u>24,252</u>
Net cash provided by noncapital financing activities	<u>953,375</u>	<u>876,038</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(1,051,139)	(647,849)
Proceeds from sale of equipment	<u>1,200</u>	<u>30,910</u>
Net cash (used in) capital and related financial activities	<u>(1,049,939)</u>	<u>(616,939)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>84,425</u>	<u>107,241</u>
Net cash provided by investing activities	<u>84,425</u>	<u>107,241</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,586,397	870,126
CASH AND CASH EQUIVALENTS		
Beginning	12,401,155	11,531,029
Ending	<u>\$13,987,552</u>	<u>\$12,401,155</u>

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

	Year ended June 30	
	2013	2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 93,424	\$ (197,299)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	1,162,089	1,136,961
Changes in assets and liabilities		
Patient receivables	(497,445)	(121,079)
Other receivables	(5,396)	3,712
Net estimated third-party payor settlements	560,000	(130,000)
Inventories	29,246	(9,778)
Prepaid expenses	(11,037)	26,013
Accounts payable	288,494	(100,023)
Accrued employee compensation	1,511	(159,595)
Payroll taxes and amounts withheld from employees	<u>(22,350)</u>	<u>54,874</u>
Net cash provided by operating activities	<u>\$ 1,598,536</u>	<u>\$ 503,786</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Per balance sheet		
Current assets, cash and cash equivalents	\$ 4,665,100	\$ 2,816,589
Assets whose use is limited		
Cash and cash equivalents designated by board for plant replacement and expansion	<u>9,322,452</u>	<u>9,584,566</u>
Total per statement of cash flows	<u>\$13,987,552</u>	<u>\$12,401,155</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.

Cash and Cash Equivalents

Cash and cash equivalents include money market funds and certificates of deposit.

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.

Net Position

Net position is presented in the following three components:

Net investment in capital assets

Net investment in capital assets 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 net position 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 net position.

Unrestricted

Unrestricted net position 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 Net Position

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.

Reclassifications

Certain amounts have been reclassified in the 2012 financial statements in order to conform with the 2013 presentation, with no effect on the change in net position.

NOTE 2 CASH AND CASH EQUIVALENTS

The Health Center's deposits in banks at June 30, 2013 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>2013</u>	<u>2012</u>
Medicare	\$ 879,358	\$ 752,710
Medicaid	315,759	329,073
Commercial insurance	962,580	833,460
Patients	<u>1,021,264</u>	<u>803,273</u>
Total patient receivables	3,178,961	2,718,516
Less allowances for contractual adjustments and bad debts	<u>(770,000)</u>	<u>(807,000)</u>
Net patient receivables	<u>\$2,408,961</u>	<u>\$1,911,516</u>

NOTE 4 PROPERTY AND EQUIPMENT

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

	<u>June 30, 2013</u>		<u>June 30, 2012</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 134,101	\$ -	\$ 134,101	\$ -
Land improvements	174,143	135,928	174,143	130,697
Building and improvements	15,937,817	10,090,795	15,973,291	9,369,957
Major movable equipment	<u>7,047,361</u>	<u>4,961,186</u>	<u>6,001,590</u>	<u>4,566,008</u>
Totals	<u>\$23,293,422</u>	<u>\$15,187,909</u>	<u>\$22,283,125</u>	<u>\$14,066,662</u>

A summary of changes in property and equipment for the year ended June 30, 2013 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 134,101	\$ -	\$ -	\$ 134,101
Land improvements	174,143	-	-	174,143
Building and improvements	15,973,291	39,573	75,047	15,937,817
Major movable equipment	<u>6,001,590</u>	<u>1,086,809</u>	<u>41,038</u>	<u>7,047,361</u>
Totals	<u>22,283,125</u>	<u>1,126,382</u>	<u>116,085</u>	<u>23,293,422</u>
Less accumulated depreciation	<u>(14,066,662)</u>	<u>(1,162,089)</u>	<u>(40,842)</u>	<u>(15,187,909)</u>
Net property and equipment	<u>\$ 8,216,463</u>	<u>\$ (35,707)</u>	<u>\$ 75,243</u>	<u>\$ 8,105,513</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, 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>

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, 2011.

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, 2013 regular plan members were required to contribute 5.78% of their annual salary and the Health Center is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The Health Center's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$434,378, \$419,102 and \$372,348, 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, 2013 and 2012.

	2013	2012
Charges foregone, based on established rates	\$ <u>119,453</u>	\$ <u>65,081</u>
Equivalent percentage of charity care patients to all patients served	<u>.6%</u>	<u>.4%</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, 2013 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, 2013:

	GAAP basis	Cash basis adjustments	Cash basis	County Hospital Budget
Amount to be raised by taxation	\$ 952,860	\$ —	\$ 952,860	\$ 928,224
Other revenues/receipts	<u>13,176,865</u>	<u>—</u>	<u>13,176,865</u>	<u>13,094,747</u>
	14,129,725	—	14,129,725	14,022,971
Expenses/expenditures	<u>13,001,475</u>	<u>(35,707)</u>	<u>12,965,768</u>	<u>20,453,699</u>
Net	1,128,250	35,707	1,163,957	(6,430,728)
Balance, beginning	<u>22,283,425</u>	<u>(8,141,220)</u>	<u>14,142,205</u>	<u>11,890,884</u>
Balance, ending	<u>\$23,411,675</u>	<u>\$(8,105,513)</u>	<u>\$15,306,162</u>	<u>\$ 5,460,156</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 76 active members, 3 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	
	2013	2012
Annual required contribution, ARC	\$ 10,300	\$ 10,000
Interest on net OPEB obligation	100	200
Adjustment to annual required contribution	<u>(200)</u>	<u>(300)</u>
Annual OPEB cost	10,200	9,900
Contributions made	<u>10,500</u>	<u>13,400</u>
Decrease in net OPEB obligation	(300)	(3,500)
Net OPEB obligation, beginning of year	<u>4,400</u>	<u>7,900</u>
 Net OPEB obligation, end of year	 <u>\$ 4,100</u>	 <u>\$ 4,400</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the years ended June 30, 2013 and 2012.

For the years ended June 30, 2013 and 2012, the Health Center contributed \$10,500 and \$13,400, 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, 2013 and 2012 are summarized as follows:

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
June 30, 2013	\$ <u>10,200</u>	<u>103%</u>	\$ <u>4,100</u>
June 30, 2012	\$ <u>9,900</u>	<u>135%</u>	\$ <u>4,400</u>

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$154,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$154,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,181,000, and the ratio of the UAAL to the covered payroll was 4.8%. As of June 30, 2013, 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>
7/1/2012	\$ <u>—</u>	\$ <u>154,000</u>	\$ <u>154,000</u>	<u>0%</u>	<u>\$3,181,000</u>	<u>4.8%</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, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 2% discount rate based on the Health Center's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 3%. The medical trend rate is reduced 1% each year until reaching the 3% 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 \$667 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>
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%
2013	July 1, 2012	—	154,000	154,000	0%	3,181,000	4.8%

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 years ended June 30, 2013 and 2012, and have issued our report thereon dated August 2, 2013, which contained an unmodified opinion on those financial statements. Our audits were performed 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
August 2, 2013

**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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
0 - 30 days (includes patients in Health Center at end of year)	\$1,713,719	\$1,460,444	53.91%	53.72%
31 - 60 days	441,417	441,219	13.89	16.23
61 - 90 days	265,007	216,766	8.34	7.97
91 - 180 days	409,621	286,575	12.89	10.54
Over 180 days	<u>349,197</u>	<u>313,512</u>	<u>10.97</u>	<u>11.54</u>
Totals	<u>3,178,961</u>	<u>2,718,516</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	70,000	180,000		
Medicaid	80,000	120,000		
Other	210,000	177,000		
Bad debts	<u>410,000</u>	<u>330,000</u>		
Total allowances	<u>770,000</u>	<u>807,000</u>		
Totals	<u>\$2,408,961</u>	<u>\$1,911,516</u>		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	<u>\$ 35,499</u>	<u>\$ 34,380</u>		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	<u>68</u>	<u>56</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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
BALANCE , beginning	\$ 330,000	\$ 310,000		
ADD				
Provision for bad debts	1,001,195	767,404	7.73%	6.10%
Recoveries of accounts previously written off	<u>187,921</u>	<u>230,395</u>	1.45	1.83
	1,519,116	1,307,799		
DEDUCT				
Accounts written off	<u>1,109,116</u>	<u>977,799</u>	8.56	7.77
BALANCE , ending	<u>\$ 410,000</u>	<u>\$ 330,000</u>		

Jackson County Regional Health Center
PATIENT SERVICE REVENUE
Year ended June 30, 2013, with comparative totals for 2012

	<u>2013</u>			<u>2012</u>
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
DAILY PATIENT SERVICES				
Medical and surgical	\$ 326,330	\$ 138,241	\$ 464,571	\$ 436,930
Skilled care	<u>234,192</u>	<u>—</u>	<u>234,192</u>	<u>222,532</u>
	<u>560,522</u>	<u>138,241</u>	<u>698,763</u>	<u>659,462</u>
OTHER NURSING SERVICES				
Operating and recovery rooms	—	1,754,583	1,754,583	1,566,058
Central supply	33,690	569,315	603,005	502,190
Emergency service	901	3,515,562	3,516,463	3,211,011
Ambulance	1,140	1,402,922	1,404,062	1,270,137
Community health	<u>—</u>	<u>793,454</u>	<u>793,454</u>	<u>729,007</u>
	<u>35,731</u>	<u>8,035,836</u>	<u>8,071,567</u>	<u>7,278,403</u>
OTHER PROFESSIONAL SERVICES				
Laboratory	161,385	2,221,090	2,382,475	2,128,342
Radiology	68,771	4,972,527	5,041,298	4,786,888
Nuclear medicine	—	53,922	53,922	65,166
Pharmacy	240,750	458,213	698,963	848,575
Anesthesiology	181	753,804	753,985	634,759
Respiratory therapy	6,205	185,323	191,528	259,995
Sleep study	—	278,972	278,972	282,786
Cardiac rehabilitation	—	169,029	169,029	119,102
Physical therapy	85,398	976,639	1,062,037	784,680
Speech therapy	6,423	41,012	47,435	38,196
Occupational therapy	70,510	89,214	159,724	148,901
Diabetic education	—	26,738	26,738	23,599
General surgery	3,706	361,039	364,745	307,961
Specialty clinics	<u>—</u>	<u>43,960</u>	<u>43,960</u>	<u>43,803</u>
	<u>643,329</u>	<u>10,631,482</u>	<u>11,274,811</u>	<u>10,472,753</u>
Totals	<u>\$1,239,582</u>	<u>\$18,805,559</u>	20,045,141	18,410,618
Charity care charges foregone, based on established rates			<u>(119,453)</u>	<u>(65,081)</u>
Total gross patient service revenue			19,925,688	18,345,537
Provisions for contractual adjustments and bad debts			<u>(6,968,600)</u>	<u>(5,762,542)</u>
Total net patient service revenue			<u>\$12,957,088</u>	<u>\$12,582,995</u>

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

	<u>Year ended June 30</u>	
	<u>2013</u>	<u>2012</u>
Contractual adjustments		
Medicare	\$2,224,168	\$1,738,460
Medicaid	1,222,335	1,233,523
Other adjustments	2,520,902	2,023,155
Provision for bad debts	<u>1,001,195</u>	<u>767,404</u>
 Totals	 <u>\$6,968,600</u>	 <u>\$5,762,542</u>

OTHER REVENUE

	<u>Year ended June 30</u>	
	<u>2013</u>	<u>2012</u>
Home delivered meals	\$ 4,224	\$ 3,683
Purchase discounts	13,698	16,237
Grants	47,412	46,769
Miscellaneous	<u>72,477</u>	<u>69,983</u>
 Totals	 <u>\$ 137,811</u>	 <u>\$ 136,672</u>

Jackson County Regional Health Center
EXPENSES
Year ended June 30, 2013, with comparative totals for 2012

	<u>2013</u>			<u>2012</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
NURSING SERVICE				
Nursing administration	\$ 112,719	\$ 13,823	\$ 126,542	\$ 177,151
Medical and surgical	663,369	111,998	775,367	675,032
Operating and recovery rooms	181,799	129,851	311,650	334,740
Central supply	12,296	230,628	242,924	241,232
Emergency service	586,319	911,241	1,497,560	1,399,041
Ambulance	438,618	42,206	480,824	477,575
Community health	<u>457,575</u>	<u>78,534</u>	<u>536,109</u>	<u>555,649</u>
Total nursing service	<u>2,452,695</u>	<u>1,518,281</u>	<u>3,970,976</u>	<u>3,860,420</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	282,322	351,989	634,311	636,689
Radiology	323,910	526,247	850,157	825,112
Pharmacy	160,371	322,525	482,896	586,874
Anesthesiology	208,705	32,900	241,605	239,285
Respiratory therapy	10,130	12,245	22,375	24,560
Sleep study	-	39,365	39,365	32,651
Cardiac rehabilitation	50,634	4,798	55,432	55,157
Physical therapy	231,717	120,838	352,555	413,040
Speech therapy	19,149	1,086	20,235	22,360
Occupational therapy	-	89,762	89,762	83,111
Diabetic education	33,434	2,770	36,204	33,575
General surgery	54,106	373,793	427,899	472,128
Specialty clinics	6,487	1,115	7,602	16,292
Medical records	161,638	124,596	286,234	302,192
Social services	<u>6,347</u>	<u>483</u>	<u>6,830</u>	<u>644</u>
Total other professional service	<u>1,548,950</u>	<u>2,004,512</u>	<u>3,553,462</u>	<u>3,743,670</u>
GENERAL SERVICE				
Dietary	118,475	45,980	164,455	149,480
Operation of plant	193,152	579,266	772,418	818,031
Housekeeping	151,714	22,254	173,968	171,681
Laundry	<u>24,693</u>	<u>15,048</u>	<u>39,741</u>	<u>39,726</u>
Total general service	<u>488,034</u>	<u>662,548</u>	<u>1,150,582</u>	<u>1,178,918</u>
FISCAL AND ADMINISTRATIVE SERVICE				
Administrative	62,357	665,025	727,382	612,954
Accounting	146,814	16,720	163,534	174,001
Business office	173,322	116,532	289,854	278,834
Human resources	83,397	11,961	95,358	139,181
Purchasing	74,988	7,738	82,726	90,148
Employee health	10,093	436	10,529	11,040
Data processing	543	199,278	199,821	137,501

Jackson County Regional Health Center
EXPENSES (continued)
Year ended June 30, 2013, with comparative totals for 2012

	<u>2013</u>			<u>2012</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
UNASSIGNED EXPENSES				
FICA	\$ —	\$ 353,841	\$ 353,841	\$ 367,359
IPERS	—	434,378	434,378	419,102
Group health, life and other benefits	—	651,538	651,538	608,988
Workers compensation insurance	—	66,398	66,398	66,647
Insurance	—	89,007	89,007	91,242
Total fiscal and administrative service and unassigned expenses	<u>551,514</u>	<u>2,612,852</u>	<u>3,164,366</u>	<u>2,996,997</u>
PROVISION FOR DEPRECIATION	<u>—</u>	<u>1,162,089</u>	<u>1,162,089</u>	<u>1,136,961</u>
Total expenses	<u>\$5,041,193</u>	<u>\$7,960,282</u>	<u>\$13,001,475</u>	<u>\$12,916,966</u>

**Jackson County Regional Health Center
COMPARATIVE STATISTICS**

	Year ended June 30	
	<u>2013</u>	<u>2012</u>
PATIENT DAYS		
Medical and surgical	405	402
Swing bed, skilled care	<u>656</u>	<u>662</u>
Totals	<u>1,061</u>	<u>1,064</u>
DISCHARGES		
Medical and surgical	144	140
Swing bed, skilled care	<u>79</u>	<u>70</u>
Totals	<u>223</u>	<u>210</u>
AVERAGE LENGTH OF STAY		
Medical and surgical	2.81	2.87
Swing bed, skilled care	8.30	9.46

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, in accordance with the 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, the financial statements of Jackson County Regional Health Center, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated August 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Health Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Center's internal control.

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 Health Center's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2013 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 2, 2013

**Jackson County Regional Health Center
SCHEDULE OF FINDINGS
Year ended June 30, 2013**

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, 2013**

Part II—Findings Related to Required Statutory Reporting

13-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, 2013.

13-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Health Center funds were noted.

13-II-C TRAVEL EXPENSES

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

13-II-D BUSINESS TRANSACTIONS

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

13-II-E BOARD MINUTES

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

13-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.