

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

FINANCIAL REPORT

June 30, 2013

CONTENTS

	<u>Page</u>
OFFICIALS	3
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	4-5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6-12
FINANCIAL STATEMENTS	
Balance sheets	13-14
Statements of revenues, expenses, and changes in net position	15
Statements of cash flows	16-17
Notes to financial statements	18-29
REQUIRED SUPPLEMENTARY INFORMATION	30
Budgetary comparison schedule of revenues, expenses and changes in net position, budget and actual	31
Schedule of funding progress for the retiree health plan	32
INDEPENDENT AUDITOR'S REPORT ON THE OTHER SUPPLEMENTARY INFORMATION	33
OTHER SUPPLEMENTARY INFORMATION	34
Analysis of patient receivables	35
Analysis of allowance for uncollectibles	35
Inventories	36
Insurance coverage	37
Patient service revenue	38-39
Provisions for contractual and other adjustments	40
Other revenue	40
Nursing service expenses	41
Other professional service expenses	42-43
General service expenses	44
Fiscal and administrative service and unassigned expenses	45
Comparative revenues and expenses	46
Comparative statistics	47
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>	48-49
SCHEDULE OF FINDINGS	50-51

**Jefferson County Hospital
d/b/a Jefferson County Health Center
OFFICIALS
June 30, 2013**

After January 2013

BOARD OF TRUSTEES

Expiration of term

Officers

Renee Rebling, Chair	December 31, 2016
Bob Keller, Vice Chair	December 31, 2016
Merlin Miller, Secretary/Treasurer	December 31, 2014

Members

Joan Tedrow	December 31, 2014
Julie Greeson	December 31, 2014
Greg Hanshaw	December 31, 2018
Tom Kunkle	December 31, 2018

CHIEF EXECUTIVE OFFICER

Deborah Cardin

CHIEF FINANCIAL OFFICER

Eugene Irwin

Before January 2013

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

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 financial statements of Jefferson County Hospital d/b/a Jefferson County Health Center, as of and for the years ended June 30, 2013 and 2012, and the related notes to the 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 audit 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 Hospital'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 Hospital'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson County Hospital d/b/a Jefferson County Health Center, as of June 30, 2013 and 2012, and the changes in its 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 budgetary comparison schedule and the schedule of funding progress for the retiree health plan on pages 6-12, 31 and 32, 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, which 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 October 24, 2013, on our consideration of the 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 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 Hospital's internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 24, 2013

**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, 2013, 2012 and 2011. 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 net position. 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 \$4,524,566 from FY 2012 to \$59,753,056 following an increase in FY 2012 of \$1,194,343.
- Property and equipment increased from FY 2012 by \$1,888,485, following a decrease of \$1,919,739 in FY 2012.
- Total debt decreased from FY 2012 by \$710,000, following a decrease of \$670,000 in FY 2012.
- Net position increased in FY 2013 by \$3,083,079 and increased by \$2,786,187 in FY 2012.
- Net patient service revenue increased from FY 2012 by \$2,489,308. This followed an increase in FY 2012 of \$1,688,880.
- Expenses increased from FY 2012 by \$2,679,255 or 12%. This is due to increased physician expenses.
- Total margin for FY 2013 and FY 2012 was 11%.

FINANCIAL ANALYSIS OF THE HOSPITAL

The balance sheet and the statement of revenues, expenses, and changes in net position report the net position of Jefferson County Health Center and the changes in them. Jefferson County 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 net position 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, 2013, 2012 and 2011, are presented in Table 1 below.

Table 1
Condensed Balance Sheets

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Dollar Change</u>	<u>Total % Change</u>	<u>June 30, 2011</u>
Current and other assets	\$25,833,077	\$23,196,996	\$2,636,081	11%	\$20,082,914
Capital assets	\$33,919,979	\$32,031,494	\$1,888,485	6%	\$33,951,233
Total Assets	<u>\$59,753,056</u>	<u>\$55,228,490</u>	<u>\$4,524,566</u>	<u>8%</u>	<u>\$54,034,147</u>
Long-term debt outstanding	\$33,870,000	\$34,580,000	(\$710,000)	(2%)	\$35,250,000
Other liabilities	\$6,030,662	\$3,879,175	\$2,151,487	55%	\$4,801,019
Total liabilities	<u>\$39,900,662</u>	<u>\$38,459,175</u>	<u>\$1,441,487</u>	<u>4%</u>	<u>\$40,051,019</u>
Total net position	<u>\$19,852,394</u>	<u>\$16,769,315</u>	<u>\$3,083,079</u>	<u>18%</u>	<u>\$13,983,128</u>

REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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, 2013, 2012 and 2011.

Table 2
Condensed Statements of Revenue, Expenses, and Changes in net position

	Year ended June 30,		
	2013	2012	2011
Total revenue	\$28,571,998	\$25,690,823	\$21,165,700
Expenses	\$25,182,277	\$22,503,022	\$20,150,857
Operating income	\$3,389,721	\$3,187,801	\$1,014,843
Non-operating (losses)	(\$336,571)	(\$451,134)	(\$5,042,817)
Excess (deficiency) of revenues over expenses	\$3,053,150	\$2,736,667	(\$4,027,974)
Other changes in net position-contributions	\$29,929	\$49,520	\$418,537
Total net position, beginning	\$16,769,315	\$13,983,128	\$17,592,565
Total net position, ending	\$19,852,394	\$16,769,315	\$13,983,128

Operating and Financial Performance

Volume: Acute inpatient admissions for fiscal year 2013 were 685 compared to 599 in fiscal year 2012. Acute patient days increased by 20% compared to FY 2012 because of the increased admissions and a slight increase in length of stay. Swing bed admissions fiscal year 2013 were 274 compared to 236 in fiscal year 2012. Swing bed patient days increased by 11% due to an increase in admissions of 16% and a half day decrease in length of stay. Average swing bed length of stay decreased to 9.74 days from 10.3 days in fiscal year 2012. Outpatient visits increased by 9% to 50,046 visits in FY 2013. Operating room procedures were 20% above FY 2012's level due to an increase in outpatient surgical procedures. Outpatient surgeries were 123 procedures or 30% above prior year levels. Inpatient procedures were 6 procedures or 5% below FY 12 totals. Total operating room procedures in FY 2013 were 654 surgeries compared to 545 in FY 2012 with 81% 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 \$2,489,308 or 11% compared to fiscal year 2012. During the fiscal year, Jefferson County Health Center's contractual allowances (the difference between billed charges and paid charges from third party payors) increased by \$2,520,976 or 21% over FY 2012. The majority of the increase came from Medicare contractual allowance increases reflecting increased inpatient and outpatient activity.

The following table presents the relative percentages of gross charges for patient services by payor for the years ended June 30, 2013, 2012 and 2011.

Table 3
Payor Mix by Percentage

	Year Ended June 30,		
	2013	2012	2011
Medicare	55%	54%	56%
Wellmark	23%	22%	21%
Other Commercial Insurance	12%	13%	13%
Medicaid	9%	9%	9%
All other	1%	2%	1%
Total	100%	100%	100%

Significant changes in operations from FY 2013:

Outpatient Revenue: There was a 14% or \$3,489,048 increase in outpatient revenue in FY 2013 compared to FY 2012. Increased outpatient revenues in lab, pharmacy, radiology, CT, MRI, ER and a 29% increase in OP Surgery account for the increased revenues.

Salaries: FY 2013 showed a 6.9%, or \$556,582 increase in salary expense compared to FY 2012. The primary reason for the increase is an increase other professional services salary expense.

Interest and Depreciation Expense: Interest expense decreased by \$40,280 from FY 2012 due to the maturing of one revenue bond. Depreciation expense increased by \$44,363 from FY 2012 levels due to increased equipment and building purchases.

CAPITAL ASSETS

At the end of fiscal year 2013, the Jefferson County Health Center has invested \$33,919,979 in capital assets. The increase in capital assets is due to construction in progress of a Medical Office Building addition and increased equipment purchases in FY 13.

The following table summarizes Jefferson County Health Center's capital assets as of June 30, 2013, 2012 and 2011.

Table 4
Capital Assets
(in Thousands)

	June 30,			
	2013	2012	Change	2011
Land	\$1,171.8	\$1,049.8	(\$101.7)	\$1,151.5
Land improvements	\$1,563.9	\$1,563.9	\$7.3	\$1,556.6
Buildings	\$32,316.5	\$32,292.8	\$163.9	\$32,128.9
Major moveable equipment	\$9,624.3	\$8,861.5	\$520.5	\$8,341.0
Construction in progress	\$3,509.1	\$4.0	(\$33.9)	\$37.9
Subtotal	\$48,185.6	\$43,772	\$556.1	\$43,215.9
Less accumulated depreciation	(\$14,265.6)	(\$11,740.5)	\$2,475.8	(\$9,264.7)
Property, plant and equipment, net	\$33,920.0	\$32,031.5	(\$1,919.7)	\$33,951.2

DEBT ADMINISTRATION

Long-Term Debt

At year-end, Jefferson County Health Center had \$ 33,870,000 in long-term debt related to financing for a replacement facility. This has decreased from \$34,580,000 in fiscal year 2012. 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 171% of Jefferson County Health Center's equity as of year-end.

PERFORMANCE COMPARED TO BUDGET

Net patient revenues were \$3,887,500 or 19% over budget for the fiscal year ended June 30, 2013. This was due to increased inpatient and outpatient activity resulting in a 14% increase in gross revenue over budget and contractual allowances being 8% over budgeted expectations.

Operating expenses were approximately \$894,900 or 4% above budget for the year with salaries and benefits being 2% below budget for the year. The other operating expenses reflect increases in other professional services department expenses.

Total non-operating gains were 22% or approximately \$89,400 over budget due to increased investment income from joint ventures the Hospital has invested in.

The following table compares fiscal year 2013 actual to budget information.

Table 5
Budget vs. Actual
(In Thousands)

	FY 2013 Budget	FY 2013 Actual	Dollar Variance	Percent Variance
Gross patient service revenue	\$34,509.2	\$39,433.1	\$4,923.9	14.3%
Contractual adjustments and charity care	\$13,674.7	\$14,711.1	\$1,036.4	7.6%
Net patient service revenue	\$20,834.5	\$24,722.0	\$3,887.5	18.7%
Other operating revenue	\$3,675.0	\$3,850.0	\$175.0	4.8%
Total operating revenue	\$24,509.5	\$28,572.0	\$4,062.5	16.6%
Operating expenses	\$24,287.4	\$25,182.3	\$894.9	3.7%
Operating income	\$222.1	\$3,389.7	\$3,167.6	1,426.2%
Income from investments	\$381.3	\$462.4	\$81.1	21.3%
Other non-operating gains (losses)	\$1,091.3	\$1,099.6	\$8.3	0.8%
Interest expense	(\$1,895.2)	(\$1,898.5)	(\$3.3)	(0.2%)
Excess (deficiency) of revenue over expenses before contributions	(\$200.5)	\$3,053.2	\$3,253.7	1,622.8%

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 2014 budget. Of primary importance in setting the 2014 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	2013	2012
CURRENT ASSETS		
Cash	\$15,275,190	\$11,810,386
Assets whose use is limited, required for current liabilities	1,340,608	1,314,020
Patient receivables, less allowance for contractual adjustments and uncollectibles 2013 \$1,311,000; 2012 \$1,534,000	3,606,796	3,691,005
Other receivables	48,198	123,091
Estimated third-party payor settlements	-	100,000
Inventories	241,677	204,650
Prepaid expenses	331,068	278,505
Succeeding year property tax receivable	834,000	1,070,200
Total current assets	<u>21,677,537</u>	<u>18,591,857</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Cash and cash equivalents	<u>199,956</u>	<u>182,481</u>
Restricted by bond indenture agreement		
Cash and cash equivalents	3,859,879	2,311,490
U.S. Government Agency securities	230,000	2,290,625
	<u>4,089,879</u>	<u>4,602,115</u>
Restricted by donors for specific purpose		
Cash and cash equivalents	<u>49,195</u>	<u>45,337</u>
Total assets whose use is limited	<u>4,339,030</u>	<u>4,829,933</u>
Less assets whose use is limited, required for current liabilities	<u>1,340,608</u>	<u>1,314,020</u>
Noncurrent assets whose use is limited	<u>2,998,422</u>	<u>3,515,913</u>
CAPITAL ASSETS	48,185,611	43,771,980
Less accumulated depreciation	14,265,632	11,740,486
Total capital assets	<u>33,919,979</u>	<u>32,031,494</u>
OTHER ASSET		
Investment in joint ventures	<u>1,157,118</u>	<u>1,089,226</u>
Totals	<u>\$59,753,056</u>	<u>\$55,228,490</u>

See Notes to Financial Statements.

		June 30	
LIABILITIES AND NET POSITION		<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES			
Current maturities of long-term debt		\$ 710,000	\$ 670,000
Accounts payable			
Trade		1,716,817	562,231
Construction		460,759	-
Accrued employee compensation		717,963	585,555
Payroll taxes and withholdings		360,515	347,169
Accrued interest		630,608	644,020
Estimated third-party payor settlements		600,000	-
Deferred revenue for succeeding year property tax receivable		<u>834,000</u>	<u>1,070,200</u>
Total current liabilities		<u>6,030,662</u>	<u>3,879,175</u>
LONG-TERM DEBT			
		34,580,000	35,250,000
Less current maturities		<u>710,000</u>	<u>670,000</u>
Total long-term debt		<u>33,870,000</u>	<u>34,580,000</u>
COMMITMENTS AND CONTINGENCIES			
NET POSITION (DEFICIT)			
Invested in capital assets, net of related debt		(660,021)	(3,218,506)
Restricted			
By bond indenture agreement		4,089,879	4,602,115
For specific purpose by donors		49,195	45,337
Unrestricted		<u>16,373,341</u>	<u>15,340,369</u>
Total net position		<u>19,852,394</u>	<u>16,769,315</u>
Totals		<u>\$59,753,056</u>	<u>\$55,228,490</u>

See Notes to Financial Statements.

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

	<u>Year ended June 30</u>	
	<u>2013</u>	<u>2012</u>
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2013 \$1,278,482; 2012 \$958,807	\$24,722,012	\$22,232,704
OTHER REVENUE	<u>3,849,986</u>	<u>3,458,119</u>
Total revenue	<u>28,571,998</u>	<u>25,690,823</u>
EXPENSES		
Nursing service	5,279,953	4,633,265
Other professional service	10,693,172	9,096,456
General service	1,935,415	1,915,477
Fiscal and administrative service and unassigned expenses	4,746,777	4,375,227
Provision for depreciation	<u>2,526,960</u>	<u>2,482,597</u>
Total expenses	<u>25,182,277</u>	<u>22,503,022</u>
Operating income	<u>3,389,721</u>	<u>3,187,801</u>
NONOPERATING GAINS (LOSSES)		
County taxes	1,097,726	1,064,318
Investment income	69,470	149,782
Interest expense	(1,898,513)	(1,938,793)
Equity in income of joint venture investments	392,892	318,163
Gain (loss) on sale of property and equipment	<u>1,854</u>	<u>(44,604)</u>
Total nonoperating (losses)	<u>(336,571)</u>	<u>(451,134)</u>
Excess of revenues over expenses before contributions	<u>3,053,150</u>	<u>2,736,667</u>
CONTRIBUTIONS		
Change in net position	<u>29,929</u>	<u>49,520</u>
	3,083,079	2,786,187
TOTAL NET POSITION		
Beginning	<u>16,769,315</u>	<u>13,983,128</u>
Ending	<u>\$19,852,394</u>	<u>\$16,769,315</u>

**Jefferson County Hospital
d/b/a Jefferson County 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	\$25,506,221	\$22,503,922
Cash paid to suppliers for goods and services	(12,952,314)	(11,954,942)
Cash paid to employees for services	(8,492,253)	(8,334,213)
Other operating revenue received	<u>3,930,267</u>	<u>1,866,022</u>
Net cash provided by operating activities	<u>7,991,921</u>	<u>4,080,789</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes received	<u>1,092,338</u>	<u>1,069,442</u>
Net cash provided by noncapital financing activities	<u>1,092,338</u>	<u>1,069,442</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets and construction in progress	(3,952,872)	(669,072)
Principal payments on long-term debt	(670,000)	(625,000)
Proceeds from sale of capital assets	40	61,610
Interest paid on long-term debt	(1,911,925)	(1,951,281)
Contributions restricted for purchase of capital assets	<u>33,787</u>	<u>49,520</u>
Net cash (used in) capital and related financing activities	<u>(6,500,970)</u>	<u>(3,134,223)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from investments in joint ventures	325,000	175,997
Investment income received	65,612	149,782
Proceeds from U.S. Government Agency securities	2,060,625	884,266
Proceeds from certificates of deposit	<u>—</u>	<u>182,481</u>
Net cash provided by investing activities	<u>2,451,237</u>	<u>1,392,526</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,034,526	3,408,534
CASH AND CASH EQUIVALENTS		
Beginning	<u>14,349,694</u>	<u>10,941,160</u>
Ending	<u>\$19,384,220</u>	<u>\$14,349,694</u>

See Notes to Financial Statements.

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

	<u>Year ended June 30</u>	
	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 3,389,721	\$ 3,187,801
Adjustments to reconcile operating income to net cash provided by operating activities		
Provision for depreciation	2,526,960	2,482,597
Change in assets and liabilities		
(Increase) decrease in patient receivables	84,209	(555,040)
(Increase) decrease in other receivables, net of noncapital financing activities	80,281	(12,973)
(Increase) in inventories	(37,027)	(4,561)
(Increase) decrease in prepaid expenses	(52,563)	43,721
Increase (decrease) in accounts payable, net of capital assets payable	1,154,586	(176,185)
Increase (decrease) in accrued employee compensation	132,408	(266,134)
Increase in payroll taxes and withholdings	13,346	134,429
(Increase) decrease in net estimated third-party payor settlements	<u>700,000</u>	<u>(752,866)</u>
Net cash provided by operating activities	<u>\$ 7,991,921</u>	<u>\$ 4,080,789</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Per balance sheet		
Current assets	\$15,275,190	\$11,810,386
Assets whose use is limited		
Restricted by bond indenture agreement	3,859,879	2,311,490
Restricted by donors for specific purpose	49,195	45,337
Designated by board for plant replacement and expansion	<u>199,956</u>	<u>182,481</u>
Total per statement of cash flows	<u>\$19,384,220</u>	<u>\$14,349,694</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.

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.

Net Position (Deficit)

Net position (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 net position 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 net position has no externally imposed restrictions on use.

When both restricted and unrestricted net position are available for use, generally it is the Hospital's policy to use restricted net position 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.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted.

**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 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 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, 2013 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, 2013 are as follows:

	Maturities	Fair value
Mutual funds	Daily	\$ 249,151
U.S. Government Agency Securities	July 2013	230,000
		\$ 479,151

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, 2013, 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	
	2013	2012
Receivable from patients	\$1,076,569	\$1,083,957
Receivable from insurance carriers	1,953,630	1,731,490
Receivable from Medicare	1,610,050	1,872,946
Receivable from Medicaid	<u>277,547</u>	<u>536,612</u>
Total patient receivables	4,917,796	5,225,005
Less allowances for contractual and other adjustments	<u>(1,311,000)</u>	<u>(1,534,000)</u>
 Totals	 <u>\$3,606,796</u>	 <u>\$3,691,005</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, 2013:

	Bond Sinking Fund	Debt Service Reserve Fund	Interest Fund	Total
BALANCE , beginning	\$1,124,590	\$2,598,739	\$ 878,786	\$4,602,115
Deposits	633,250	-	1,830,517	2,463,767
Investment income	1,747	7,578	53	9,378
Fees	(562)	(5,196)	(1,190)	(6,948)
Principal payments	(670,000)	-	-	(670,000)
Interest payments	-	-	(1,913,433)	(1,913,433)
Transfer to Hospital funds	<u>(395,000)</u>	<u>-</u>	<u>-</u>	<u>(395,000)</u>
 BALANCE , ending	 <u>\$ 694,025</u>	 <u>\$2,601,121</u>	 <u>\$ 794,733</u>	 <u>\$4,089,879</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, 2011.

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, 2013 and 2012 follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2013</u>
Land	\$ 1,049,780	\$ 24,320	\$ -	\$ 97,680	\$ 1,171,780
Land improvements	1,563,838	-	-	-	1,563,838
Buildings	32,292,832	127,374	-	(103,680)	32,316,526
Equipment	8,861,530	553,322	-	209,473	9,624,325
Construction and equipment installations in progress	<u>4,000</u>	<u>3,708,615</u>	<u>-</u>	<u>(203,473)</u>	<u>3,509,142</u>
Totals	43,771,980	4,413,631	-	-	48,185,611
Less accumulated depreciation and amortization	<u>(11,740,486)</u>	<u>(2,526,960)</u>	<u>1,814</u>	<u>-</u>	<u>14,265,632</u>
Net capital assets	<u>\$32,031,494</u>	<u>\$1,886,671</u>	<u>\$ 1,814</u>	<u>\$ -</u>	<u>\$33,919,979</u>

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

NOTE 6 CAPITAL ASSETS (continued)

	<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>

Construction in progress at June 30, 2013 consisted primarily of costs incurred for the design and construction associated with the building addition to the medical office building. The total cost of the project is anticipated to be approximately \$4,000,000. The anticipated completion date of the project is September 2013. The project is going to be funded primarily by operating cash. The costs of contracts awarded for the project are approximately \$3,500,000.

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 \$-0-.
- 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, 2013 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, 2013 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, 2013 is \$64,627,242. The following is a comparison of the pledged revenues and the principal and interest requirements of the Bonds for the years ended June 30, 2013 and 2012:

	<u>Year ended June 30</u>	
	<u>2013</u>	<u>2012</u>
Change in net position	\$3,083,079	\$2,786,187
Provision for depreciation	2,526,960	2,482,597
Interest expense on the Notes and Bonds	1,898,513	1,938,793
(Gain) loss on sale of property	<u>(1,854)</u>	<u>44,604</u>
 Pledged revenues	 <u>\$7,506,698</u>	 <u>\$7,252,181</u>
 Principal and interest requirements	 <u>\$2,568,513</u>	 <u>\$2,563,793</u>

Principal and interest maturities of long-term debt at June 30, 2013 are summarized as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	845,000	1,738,981	2,583,981
2019-2023	4,880,000	8,038,538	12,918,538
2024-2028	6,305,000	6,625,438	12,930,438
2029-2033	8,335,000	4,591,793	12,926,793
2034-2038	<u>11,185,000</u>	<u>1,742,606</u>	<u>12,927,606</u>
Total	34,580,000	30,047,242	64,627,242
Less current maturities	<u>710,000</u>	<u>1,876,560</u>	<u>2,586,560</u>
 Total long-term debt	 <u>\$33,870,000</u>	 <u>\$28,170,682</u>	 <u>\$62,040,682</u>

A summary of changes in long-term debt for the year ended June 30, 2013 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	\$ 710,000
Hospital Revenue Bonds (Series 2007A)	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>\$35,250,000</u>	 <u>\$ —</u>	 <u>\$ 670,000</u>	 <u>\$34,580,000</u>	 <u>\$ 710,000</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, 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>

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, 2013 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.

Plan members are required to contribute 5.78% of their annual salary and the Hospital is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$727,808, \$647,445 and \$514,625, 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, 2013 and 2012.

	2013	2012
Charges foregone, based on established rates	\$ <u>356,862</u>	\$ <u>303,927</u>
Equivalent percentage of charity care patients to all patients served	<u>.9%</u>	<u>.8%</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 \$65,000 per person, with an aggregate stop-loss provision for the plan as a whole of approximately \$3,935,000. Total expense, which includes claims, administration fees, and stop-loss insurance, under this self-insurance program for the years ended June 30, 2013 and 2012 was \$770,798 and \$840,705, 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, 2013 and 2012, the balance of the fund was being maintained in mutual funds with a total balance of \$49,195 and \$45,337, respectively.

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 \$392,892 in 2013 and \$318,163 in 2012.

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

NOTE 15 OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Hospital operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses and dependents. There are 115 active and -0- retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefit plans are self-insured and are 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 Hospital. The Hospital currently finances the retiree benefit plan on a pay-as-you-go basis.

The Hospital's annual OPEB cost is calculated based on the annual required contribution, ARC, of the Hospital, an amount actuarially determined. 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 Hospital's annual OPEB cost for June 30, 2013, the amount actually contributed to the plan and changes in the Hospital's net OPEB obligation:

Annual required contribution, ARC	\$ 3,931
Interest on net OPEB obligation	85
Adjustment to annual required contribution	<u>(599)</u>
Annual OPEB cost	3,417
Contributions made	<u>—</u>
Increase in net OPEB obligation	3,417
Net OPEB obligation, beginning of year	<u>8,459</u>
 Net OPEB obligation, end of year	 <u>\$ 11,876</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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 year ended June 30, 2013.

For the year ended June 30, 2013, the Hospital contributed \$-0- to the plan. The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 are summarized as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
June 30, 2011	\$ <u>2,951</u>	<u>0%</u>	\$ <u>4,902</u>
June 30, 2012	\$ <u>3,557</u>	<u>0%</u>	\$ <u>8,459</u>
June 30, 2013	\$ <u>3,417</u>	<u>0%</u>	\$ <u>11,876</u>

As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2014, the actuarial accrued liability was \$25,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$25,000. As of June 30, 2013, there were no trust fund assets.

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

NOTE 15 OTHER POST EMPLOYMENT BENEFITS (OPEB) (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. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2013 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 1% discount rate based on the Hospital's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 4%. The medical trend rate is reduced 1% each year until reaching the 4% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, 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 \$927 per month for retirees. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

NOTE 16 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

2014

\$ 72,104

REQUIRED SUPPLEMENTARY INFORMATION

**Jefferson County Hospital
d/b/a Jefferson County Health Center
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION, BUDGET AND ACTUAL
Year ended June 30, 2013**

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	\$ 1,097,726	\$ -	\$ 1,097,726	\$ -	\$ 1,097,726	\$ 1,097,726
Other revenue/receipts	<u>29,062,285</u>	<u>3,858</u>	<u>29,066,143</u>	<u>-</u>	<u>29,066,143</u>	<u>24,083,215</u>
	30,160,011	3,858	30,163,869	-	30,163,869	25,180,941
Expenses/expenditures	<u>27,080,790</u>	<u>-</u>	<u>27,080,790</u>	<u>2,342,290</u>	<u>29,423,080</u>	<u>26,011,093</u>
Net	3,079,221	3,858	3,083,079	2,342,290	740,789	(830,152)
Balance, beginning	<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>
Balance, ending	<u>\$19,803,199</u>	<u>\$ 49,195</u>	<u>\$19,852,394</u>	<u>\$(18,373,430)</u>	<u>\$ 1,478,964</u>	<u>\$ 4,726,559</u>

*Includes unrestricted net position, net position invested in capital assets, net of related debt and restricted by bond indenture agreement net position.

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.

For the year ended June 30, 2013, the Hospital's expenditures exceeded the budgeted amount.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)**

Required Supplementary Information

<u>Fiscal year ended</u>	<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b - a)/c)</u>
2011	June 30, 2011	\$ <u>—</u>	\$ <u>20</u>	\$ <u>20</u>	<u>0.0%</u>	\$ <u>7,414</u>	<u>.3%</u>
2012	June 30, 2012	\$ <u>—</u>	\$ <u>20</u>	\$ <u>20</u>	<u>0.0%</u>	\$ <u>8,068</u>	<u>.2%</u>
2013	June 30, 2013	\$ <u>—</u>	\$ <u>25</u>	\$ <u>25</u>	<u>0.0%</u>	\$ <u>8,625</u>	<u>.3%</u>

See Note 15 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

**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, 2013 and 2012, and have issued our report thereon dated October 24, 2013, which contains 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 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, 2011 and 2010, and expressed unmodified opinions on those financial statements.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 24, 2013

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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
0 – 30 days (includes patients in Hospital at end of year)	\$2,627,193	\$2,560,155	55.33%	50.31%
31 – 60 days	1,003,405	1,196,058	21.13	23.50
61 – 90 days	385,000	368,636	8.11	7.25
Over 90 days	<u>732,341</u>	<u>963,810</u>	<u>15.43</u>	<u>18.94</u>
	<u>4,747,939</u>	<u>5,088,659</u>	<u>100.00%</u>	<u>100.00%</u>
Physician Clinic	<u>169,857</u>	<u>136,346</u>		
Total receivables	<u>4,917,796</u>	<u>5,225,005</u>		
Allowances				
Contractual				
Medicare	665,000	797,000		
Medicaid and Wellmark	477,000	571,000		
Uncollectibles	101,000	111,000		
Physician Clinic	<u>68,000</u>	<u>55,000</u>		
Total allowances	<u>1,311,000</u>	<u>1,534,000</u>		
Totals	<u>\$3,606,796</u>	<u>\$3,691,005</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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
BALANCE , beginning	\$ 111,000	\$ 96,000		
ADD				
Provision for bad debts	1,278,482	958,807	5.17%	4.31%
DEDUCT				
Accounts written off	<u>(1,288,482)</u>	<u>(943,807)</u>	5.21	4.25
BALANCE , ending	<u>\$ 101,000</u>	<u>\$ 111,000</u>		

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

	<u>June 30</u>		<u>Increase (decrease)</u>
	<u>2013</u>	<u>2012</u>	
Storeroom	\$ 63,127	\$ 54,146	\$ 8,981
Pharmacy	116,361	87,365	28,996
Dietary	17,265	16,967	298
Uniforms and linen	<u>44,924</u>	<u>46,172</u>	<u>(1,248)</u>
Totals	<u>\$ 241,677</u>	<u>\$ 204,650</u>	<u>\$ 37,027</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
INSURANCE COVERAGE
June 30, 2013**

<u>Insurer</u>	<u>Coverage Type</u>	<u>Effective Dates</u>	<u>Coverage Amount</u>
Chubb	Directors and Officers	July 2012 to July 2013	\$2,000,000
Travelers	Employee Honesty Bond	May 2013 to May 2014	\$100,000/employee
Midwest Medical Insurance	Physician Liability Coverage	January 2013 to January 2014	
	Each claim		\$2,000,000
	Total facility		\$4,000,000
Pro Assurance	Physician Liability Coverage	August 2012 to August 2013	
	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 2013 to May 2014	
	Each claim		\$1,000,000
	Total facility		\$3,000,000
Coverys Insurance	Umbrella Excess Liability	May 2013 to May 2014	
	Each claim		\$7,000,000
	Total facility		\$7,000,000
General Casualty	Business Auto	May 2013 to May 2014	\$1,000,000
General Casualty	Building and Contents	May 2013 to May 2014	\$44,544,800
	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		
	2013	2012	
DAILY PATIENT SERVICES			
Medical and surgical	\$ 3,099,944	\$ 2,573,945	\$ 525,999
Critical care unit	81,940	49,700	32,240
Swing bed	<u>1,502,355</u>	<u>1,307,368</u>	<u>194,987</u>
	<u>4,684,239</u>	<u>3,931,013</u>	<u>753,226</u>
OTHER NURSING SERVICES			
Operating and recovery rooms	6,654,294	5,497,285	1,157,009
Central supply	293,141	251,397	41,744
Emergency services	<u>4,496,450</u>	<u>4,151,047</u>	<u>345,403</u>
	<u>11,443,885</u>	<u>9,899,729</u>	<u>1,544,156</u>
OTHER PROFESSIONAL SERVICES			
Laboratory and blood bank	6,383,945	5,580,873	803,072
Electrocardiology	446,224	415,839	30,385
Radiology	2,973,984	2,830,495	143,489
CT scans	2,495,857	2,155,025	340,832
Magnetic resonance imaging	1,466,985	1,215,147	251,838
Pharmacy	3,333,444	2,890,419	443,025
Anesthesiology	686,955	581,135	105,820
Respiratory therapy	1,299,697	1,015,701	283,996
Physical therapy	1,807,778	1,632,743	175,035
Speech therapy	159,050	110,860	48,190
Occupational therapy	343,900	344,687	(787)
Oncology	27,973	17,923	10,050
Medical arts	178,116	169,544	8,572
Physician clinic	885,810	933,908	(48,098)
Sleep lab	767,523	598,530	168,993
Rheumatology	<u>47,777</u>	<u>46,352</u>	<u>1,425</u>
	<u>23,305,018</u>	<u>20,539,181</u>	<u>2,765,837</u>
	39,433,142	34,369,923	5,063,219
Charity care charges foregone, based on established rates	<u>(356,862)</u>	<u>(303,927)</u>	<u>(52,935)</u>
Total gross patient service revenue	39,076,280	34,065,996	5,010,284
Provisions for contractual and other adjustments	<u>(14,354,268)</u>	<u>(11,833,292)</u>	<u>(2,520,976)</u>
Net patient service revenue	<u>\$24,722,012</u>	<u>\$22,232,704</u>	<u>\$2,489,308</u>

Inpatient			Outpatient		
Year ended June 30		Increase (decrease)	Year ended June 30		Increase (decrease)
2013	2012		2013	2012	
\$3,099,944	\$2,573,945	\$ 525,999	\$ -	\$ -	\$ -
81,940	49,700	32,240	-	-	-
1,502,355	1,307,368	194,987	-	-	-
<u>4,684,239</u>	<u>3,931,013</u>	<u>753,226</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,125,110	1,214,453	(89,343)	5,529,184	4,282,832	1,246,352
284,970	245,635	39,335	8,171	5,762	2,409
113,615	93,125	20,490	4,382,835	4,057,922	324,913
<u>1,523,695</u>	<u>1,553,213</u>	<u>(29,518)</u>	<u>9,920,190</u>	<u>8,346,516</u>	<u>1,573,674</u>
770,936	584,809	186,127	5,613,009	4,996,064	616,945
32,091	21,606	10,485	414,133	394,233	19,900
212,385	213,292	(907)	2,761,599	2,617,203	144,396
233,604	136,360	97,244	2,262,253	2,018,665	243,588
107,096	52,404	54,692	1,359,889	1,162,743	197,146
1,140,798	919,444	221,354	2,192,646	1,970,975	221,671
145,415	155,380	(9,965)	541,540	425,755	115,785
1,029,230	784,493	244,737	270,467	231,208	39,259
589,182	562,083	27,099	1,218,596	1,070,660	147,936
49,187	40,847	8,340	109,863	70,013	39,850
223,013	211,756	11,257	120,887	132,931	(12,044)
-	-	-	27,973	17,923	10,050
-	-	-	178,116	169,544	8,572
-	-	-	885,810	933,908	(48,098)
-	-	-	767,523	598,530	168,993
-	-	-	47,777	46,352	1,425
<u>4,532,937</u>	<u>3,682,474</u>	<u>850,463</u>	<u>18,772,081</u>	<u>16,856,707</u>	<u>1,915,374</u>
<u>\$10,740,871</u>	<u>\$9,166,700</u>	<u>\$1,574,171</u>	<u>\$28,692,271</u>	<u>\$25,203,223</u>	<u>\$3,489,048</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</u>
	<u>2013</u>	<u>2012</u>	
Contractual adjustments			
Medicare	\$ 7,799,627	\$ 6,378,100	\$1,421,527
Medicaid	1,711,652	1,328,914	382,738
Wellmark	2,418,456	2,133,088	285,368
Provision for bad debts	1,278,482	958,807	319,675
Discounts and other adjustments	<u>1,146,051</u>	<u>1,034,383</u>	<u>111,668</u>
 Totals	 <u>\$14,354,268</u>	 <u>\$11,833,292</u>	 <u>\$2,520,976</u>

OTHER REVENUE

	<u>Year ended June 30</u>		<u>Increase (decrease)</u>
	<u>2013</u>	<u>2012</u>	
Electronic health records meaningful use incentive revenue	\$ 231,808	\$ 685,348	\$ (453,540)
340(b) program revenue	2,095,619	1,579,124	516,495
Employee and guest meals	100,763	75,192	25,571
Lifeline	71,734	72,719	(985)
Specialty clinics rent	91,284	28,035	63,249
Rental income, net	44,673	46,539	(1,866)
Miscellaneous, net	<u>1,214,105</u>	<u>971,162</u>	<u>242,943</u>
 Totals	 <u>\$3,849,986</u>	 <u>\$3,458,119</u>	 <u>\$ 391,867</u>

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

	<u>Year ended June 30</u>		<u>Increase</u>
	<u>2013</u>	<u>2012</u>	<u>(decrease)</u>
ADMINISTRATIVE			
Salaries	\$ 197,574	\$ 179,568	\$ 18,006
Supplies and expense	<u>19,123</u>	<u>10,535</u>	<u>8,588</u>
	<u>216,697</u>	<u>190,103</u>	<u>26,594</u>
MEDICAL AND SURGICAL			
Salaries	1,433,161	1,292,857	140,304
Supplies and expense	<u>205,542</u>	<u>192,008</u>	<u>13,534</u>
	<u>1,638,703</u>	<u>1,484,865</u>	<u>153,838</u>
CRITICAL CARE UNIT			
Salaries	<u>23,555</u>	<u>13,068</u>	<u>10,487</u>
OPERATING AND RECOVERY ROOMS			
Salaries	481,593	450,393	31,200
Supplies and expense	<u>719,047</u>	<u>476,604</u>	<u>242,443</u>
	<u>1,200,640</u>	<u>926,997</u>	<u>273,643</u>
CENTRAL SUPPLY			
Salaries	31,076	30,423	653
Supplies and expense	<u>90,575</u>	<u>70,339</u>	<u>20,236</u>
	<u>121,651</u>	<u>100,762</u>	<u>20,889</u>
EMERGENCY SERVICES			
Salaries	774,171	748,183	25,988
Professional fees	1,202,389	1,103,228	99,161
Supplies and expense	<u>102,147</u>	<u>66,059</u>	<u>36,088</u>
	<u>2,078,707</u>	<u>1,917,470</u>	<u>161,237</u>
Totals	<u>\$5,279,953</u>	<u>\$4,633,265</u>	<u>\$ 646,688</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>2013</u>	<u>2012</u>	
LABORATORY AND BLOOD BANK			
Salaries	\$ 478,978	\$ 478,170	\$ 808
Professional fees	256,911	204,658	52,253
Supplies and expense	555,553	486,320	69,233
	<u>1,291,442</u>	<u>1,169,148</u>	<u>122,294</u>
ELECTROCARDIOLOGY			
Salaries	46,433	46,195	238
Professional fees	-	3,456	(3,456)
Supplies and expense	18,089	14,818	3,271
	<u>64,522</u>	<u>64,469</u>	<u>53</u>
RADIOLOGY			
Salaries	522,199	493,008	29,191
Professional fees	225,219	213,753	11,466
Supplies and expense	438,318	408,915	29,403
	<u>1,185,736</u>	<u>1,115,676</u>	<u>70,060</u>
CT SCANS			
Supplies and expense	290,319	272,647	17,672
MAGNETIC RESONANCE IMAGING			
Professional fees	326,350	277,950	48,400
Supplies and expenses	7,914	8,405	(491)
	<u>334,264</u>	<u>286,355</u>	<u>47,909</u>
PHARMACY			
Salaries	218,470	154,937	63,533
Professional fees	2,000	11,500	(9,500)
Drugs	2,373,029	1,275,022	1,098,007
Supplies and expense	60,088	58,917	1,171
	<u>2,653,587</u>	<u>1,500,376</u>	<u>1,153,211</u>
ANESTHESIOLOGY			
Professional fees	297,600	277,540	20,060
Supplies and expense	20,444	21,263	(819)
	<u>318,044</u>	<u>298,803</u>	<u>19,241</u>
RESPIRATORY THERAPY			
Salaries	94,979	81,686	13,293
Oxygen	20,653	18,253	2,400
Supplies and expense	43,485	36,853	6,632
	<u>159,117</u>	<u>136,792</u>	<u>22,325</u>
PHYSICAL THERAPY			
Salaries	21,639	13,405	8,234
Professional fees	881,088	769,412	111,676
Supplies and expense	29,340	20,349	8,991
	<u>932,067</u>	<u>803,166</u>	<u>128,901</u>
SPEECH THERAPY			
Professional fees	35,315	25,261	10,054

**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>2013</u>	<u>2012</u>	
OCCUPATIONAL THERAPY			
Professional fees	\$ 157,366	\$ 157,136	\$ 230
Supplies and expense	<u>2,611</u>	<u>4,427</u>	<u>(1,816)</u>
	<u>159,977</u>	<u>161,563</u>	<u>(1,586)</u>
PHYSICIANS CLINIC			
Salaries	948,817	894,728	54,089
Supplies and expense	<u>29,212</u>	<u>46,167</u>	<u>(16,955)</u>
	<u>978,029</u>	<u>940,895</u>	<u>37,134</u>
FAIRFIELD CLINIC			
Salaries	123,970	195,936	(71,966)
Supplies and expense	<u>151,111</u>	<u>223,013</u>	<u>(71,902)</u>
	<u>275,081</u>	<u>418,949</u>	<u>(143,868)</u>
MEDICAL RECORDS			
Salaries	275,921	265,819	10,102
Supplies and expense	<u>136,953</u>	<u>120,519</u>	<u>16,434</u>
	<u>412,874</u>	<u>386,338</u>	<u>26,536</u>
QUALITY ASSURANCE			
Salaries	191,524	191,073	451
Supplies and expense	<u>19,647</u>	<u>19,227</u>	<u>420</u>
	<u>211,171</u>	<u>210,300</u>	<u>871</u>
MEDICAL ARTS			
Salaries	582,672	471,641	111,031
Supplies and expense	<u>554,780</u>	<u>605,140</u>	<u>(50,360)</u>
	<u>1,137,452</u>	<u>1,076,781</u>	<u>60,671</u>
SLEEP LAB			
Salaries	91,382	80,615	10,767
Supplies and expense	<u>15,238</u>	<u>8,167</u>	<u>7,071</u>
	<u>106,620</u>	<u>88,782</u>	<u>17,838</u>
RHEUMATOLOGY			
Salaries	5,971	1,160	4,811
Supplies and expense	<u>57,276</u>	<u>59,964</u>	<u>(2,688)</u>
	<u>63,247</u>	<u>61,124</u>	<u>2,123</u>
ONCOLOGY			
Salaries	8,789	1,542	7,247
Supplies and expense	<u>68,831</u>	<u>65,277</u>	<u>3,554</u>
	<u>77,620</u>	<u>66,819</u>	<u>10,801</u>
DIALYSIS			
Salaries	5,207	7,353	(2,146)
Supplies and expense	<u>1,481</u>	<u>4,859</u>	<u>(3,378)</u>
	<u>6,688</u>	<u>12,212</u>	<u>(5,524)</u>
Totals	<u>\$10,693,172</u>	<u>\$9,096,456</u>	<u>\$1,596,716</u>

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

	<u>Year ended June 30</u>		<u>Increase</u>
	<u>2013</u>	<u>2012</u>	<u>(decrease)</u>
DIETARY			
Salaries	\$ 352,912	\$ 335,938	\$ 16,974
Food	140,656	139,979	677
Supplies and expense	<u>57,365</u>	<u>60,261</u>	<u>(2,896)</u>
	<u>550,933</u>	<u>536,178</u>	<u>14,755</u>
PLANT OPERATION AND MAINTENANCE			
Salaries	317,056	335,372	(18,316)
Utilities	418,464	407,851	10,613
Supplies and expense	<u>243,893</u>	<u>225,323</u>	<u>18,570</u>
	<u>979,413</u>	<u>968,546</u>	<u>10,867</u>
BIO MEDICAL			
Salaries	-	2,988	(2,988)
Supplies and expense	<u>27,266</u>	<u>28,770</u>	<u>(1,504)</u>
	<u>27,266</u>	<u>31,758</u>	<u>(4,492)</u>
HOUSEKEEPING			
Salaries	239,354	250,699	(11,345)
Supplies and expense	<u>52,694</u>	<u>46,490</u>	<u>6,204</u>
	<u>292,048</u>	<u>297,189</u>	<u>(5,141)</u>
LAUNDRY AND LINEN			
Salaries	58,998	63,066	(4,068)
Supplies and expense	<u>26,757</u>	<u>18,740</u>	<u>8,017</u>
	<u>85,755</u>	<u>81,806</u>	<u>3,949</u>
 Totals	 <u>\$1,935,415</u>	 <u>\$1,915,477</u>	 <u>\$ 19,938</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
FISCAL AND ADMINISTRATIVE SERVICE
AND UNASSIGNED EXPENSES**

	<u>Year ended June 30</u>		<u>Increase</u>
	<u>2013</u>	<u>2012</u>	<u>(decrease)</u>
FISCAL AND ADMINISTRATIVE SERVICE			
Salaries			
Administrative	\$ 200,704	\$ 121,062	\$ 79,642
Fiscal and accounting	521,765	520,535	1,230
Purchasing and stores	91,139	85,122	6,017
Public relations	60,857	59,358	1,499
Data processing	109,976	99,818	10,158
Human resources	113,819	102,361	11,458
Data processing expense	304,307	290,724	13,583
Human resources supplies and expenses	36,154	32,968	3,186
Professional fees	14,679	12,182	2,497
Office supplies and expenses	472,095	389,058	83,037
Telephone	53,828	55,879	(2,051)
Collection fees	232,667	171,189	61,478
Purchasing and stores expense	18,476	20,099	(1,623)
Public relations expense	10,860	13,138	(2,278)
UNASSIGNED EXPENSES			
Physician recruiting	73,175	32,720	40,455
Insurance	159,448	156,500	2,948
Employee benefits			
FICA	579,716	553,372	26,344
IPERS	727,808	647,445	80,363
Group health insurance	770,798	840,705	(69,907)
Group disability insurance	29,203	30,618	(1,415)
Workers' compensation	107,691	98,645	9,046
Unemployment compensation	26,259	4,241	22,018
Other employee benefits	<u>31,353</u>	<u>37,488</u>	<u>(6,135)</u>
Totals	<u>\$4,746,777</u>	<u>\$4,375,227</u>	<u>\$ 371,550</u>

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

	Year ended June 30			
	2013	2012	2011	2010
NET PATIENT SERVICE REVENUE	\$24,722,012	\$22,232,704	\$20,543,824	\$19,323,348
OTHER REVENUE	<u>3,849,986</u>	<u>3,458,119</u>	<u>621,876</u>	<u>845,380</u>
Total revenue	<u>28,571,998</u>	<u>25,690,823</u>	<u>21,165,700</u>	<u>20,168,728</u>
EXPENSES				
Salaries	8,624,661	8,068,079	7,414,208	7,315,815
Supplies, professional fees and other expenses	14,030,656	11,952,346	10,232,906	9,917,030
Provision for depreciation	<u>2,526,960</u>	<u>2,482,597</u>	<u>2,503,743</u>	<u>3,039,525</u>
Total expenses	<u>25,182,277</u>	<u>22,503,022</u>	<u>20,150,857</u>	<u>20,272,370</u>
Operating income (loss)	<u>3,389,721</u>	<u>3,187,801</u>	<u>1,014,843</u>	<u>(103,642)</u>
NONOPERATING GAINS (LOSSES)				
County taxes	1,097,726	1,064,318	1,076,390	1,008,295
Investment income and equity in net income of joint venture investments	462,362	467,945	239,131	285,917
Interest expense	(1,898,513)	(1,938,793)	(2,019,719)	(2,060,805)
Gain (loss) on sale of property and equipment	<u>1,854</u>	<u>(44,604)</u>	<u>(4,338,619)</u>	<u>(575,305)</u>
Total nonoperating (losses)	<u>(336,571)</u>	<u>(451,134)</u>	<u>(5,042,817)</u>	<u>(1,341,898)</u>
Excess (deficiency) of revenues over expenses before contributions	3,053,150	2,736,667	(4,027,974)	(1,445,540)
CONTRIBUTIONS	<u>29,929</u>	<u>49,520</u>	<u>418,537</u>	<u>233,793</u>
Change in net position	<u>\$ 3,083,079</u>	<u>\$ 2,786,187</u>	<u>\$ (3,609,437)</u>	<u>\$ (1,211,747)</u>

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

	Year ended June 30	
	<u>2013</u>	<u>2012</u>
PATIENT DAYS		
Adult and pediatric	2,606	2,167
Swing bed, skilled nursing care	<u>2,687</u>	<u>2,411</u>
Total patient days	<u>5,293</u>	<u>4,578</u>
ADMISSIONS		
Adult and pediatric	685	599
Swing bed	<u>274</u>	<u>236</u>
Total admissions	<u>959</u>	<u>835</u>
DISCHARGES		
Adult and pediatric	690	597
Swing bed	<u>276</u>	<u>235</u>
Total discharges	<u>966</u>	<u>832</u>
AVERAGE LENGTH OF STAY		
Adult and pediatric	3.78	3.63
Swing bed	9.74	10.26
BEDS		
Adult and pediatric	25	25
OCCUPANCY PERCENT		
Adult and pediatric	28.56%	23.68%
Swing bed	29.45%	26.35%
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	\$67,732	\$60,745
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES AT END OF YEAR	53	61

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, 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, the financial statements of Jefferson County Hospital d/b/a Jefferson County 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 October 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 Hospital'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 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 or other matters 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, 2013 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.

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 Hospital'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 Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 24, 2013

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

**Jefferson County Hospital
d/b/a Jefferson County Health Center
SCHEDULE OF FINDINGS
Year ended June 30, 2013**

Part II—Findings Related to Required Statutory Reporting

13-II-A CERTIFIED BUDGET

Comment

Based on a comparison of actual operating expenses with budget basis expenditures, it appears the Hospital exceeded its budget for the year ended June 30, 2013.

Recommendation

Should this occur in the future, we recommend the budget be amended.

Response

In the future, we will amend the budget, as necessary.

Conclusion

Response accepted.

13-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Hospital funds were noted.

13-II-C TRAVEL EXPENSES

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

13-II-D BUSINESS TRANSACTIONS

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