

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

**FINANCIAL REPORT**

**June 30, 2014**

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**Jackson County Regional Health Center  
OFFICIALS  
June 30, 2014**

**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

**HEALTH CENTER MANAGEMENT**

Curt Coleman, President of Critical Access Hospitals, Genesis Health System

Nancy Kohrt, Chief Financial Officer, Jackson County Regional Health Center

## 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, 2014 and 2013, 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, 2014 and 2013, 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 1, 2014, 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 1, 2014

## **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, 2014 and 2013. 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 \$977,554, or 4%, to \$27,040,896
- Total assets whose use is limited increased by \$2,056,698 to \$11,379,150
- Total property and equipment decreased by \$833,232 to \$7,272,281
- Total net position increased by \$782,573 to \$24,194,248
- Net patient service revenue decreased by \$436,912, or 3%, to \$12,520,176
- Operating expenses increased by \$397,825, or 3%, to \$13,399,300

### **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**

	<b>June 30</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Current assets	\$ 8,389,465	\$ 8,635,377	\$ 6,476,408
Assets whose use is limited	11,379,150	9,322,452	9,584,566
Property and equipment	<u>7,272,281</u>	<u>8,105,513</u>	<u>8,216,463</u>
Total assets	<u>\$27,040,896</u>	<u>\$26,063,342</u>	<u>\$24,277,437</u>
Current liabilities	\$ 2,624,132	\$ 2,651,667	\$ 1,994,012
Noncurrent liabilities	<u>222,516</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>\$ 2,846,648</u>	<u>\$ 2,651,667</u>	<u>\$ 1,994,012</u>
Net investment in capital assets	\$ 7,272,281	\$ 8,105,513	\$ 8,216,463
Unrestricted	<u>16,921,967</u>	<u>15,306,162</u>	<u>14,066,962</u>
Total net position	<u>\$24,194,248</u>	<u>\$23,411,675</u>	<u>\$22,283,425</u>

As depicted in Table 1, total assets increased in fiscal year 2014 to \$27,040,896. 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**

	<b>Year ended June 30</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net patient service revenue	\$12,520,176	\$12,957,088	\$12,582,995
Other revenue	558,853	137,811	136,672
Total revenue	<u>13,079,029</u>	<u>13,094,899</u>	<u>12,719,667</u>
Salaries	4,975,166	5,041,193	5,229,943
Supplies and expenses	7,079,792	6,798,193	6,550,062
Provision for depreciation	<u>1,344,342</u>	<u>1,162,089</u>	<u>1,136,961</u>
Total expenses	<u>13,399,300</u>	<u>13,001,475</u>	<u>12,916,966</u>
Operating income (loss)	<u>(320,271)</u>	<u>93,424</u>	<u>(197,299)</u>
County taxes	950,000	952,860	851,786
Investment income	83,137	80,251	99,132
Gain (loss) on sale of equipment	9,870	1,200	(15,411)
Unrestricted contributions	<u>59,837</u>	<u>515</u>	<u>24,252</u>
Total nonoperating gains	<u>1,102,844</u>	<u>1,034,826</u>	<u>959,759</u>
Change in net position	782,573	1,128,250	762,460
Total net position, beginning	<u>23,411,675</u>	<u>22,283,425</u>	<u>21,520,965</u>
Total net position, ending	<u>\$24,194,248</u>	<u>\$23,411,675</u>	<u>\$22,283,425</u>

## **Operating and Financial Performance**

The following summarizes the Health Center's statements of revenues, expenses and changes in net position between June 30, 2014 and 2013.

**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 2014 were 71 compared to 144 in fiscal year 2013. Average length of stay was 2.85 for fiscal year 2014 compared to 2.81 in fiscal year 2013 as patient days decreased to 202 from 405 in 2013. Volume on the outpatient side indicated positive growth in 2014. In 2014, gross outpatient charges increased to \$19,025,938 compared to \$18,805,559 in 2013. Emergency service, radiology and pharmacy reflected the most significant increases in 2014.

**Price Increase:** As is customary annually, the Health Center did review its charge structure and incorporated certain price increases in 2014. Overall, gross patient service revenue decreased to \$19,908,996 from \$19,925,688 in 2013.

**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 \$7,388,820 in 2014 compared to \$6,968,600 in 2013, representing 37% and 35% of gross patient charges for 2014 and 2013, 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>2014</u>	<u>2013</u>	<u>2012</u>
Medicare	47%	48%	48%
Medicaid	16	13	14
Commercial insurance	32	33	32
Patients	<u>5</u>	<u>6</u>	<u>6</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

## **Other Revenue**

Other revenue increased to \$558,853 in 2014 compared to \$137,811 in 2013 primarily due to increased electronic health records meaningful use incentives.

## **Expenses**

Approximately 37% of Health Center's expenses are for salaries. Total salaries decreased by 1% to \$4,975,166 in 2014 from \$5,041,193 in 2013. The Health Center departments experiencing the most significant decreases in 2014 were ambulance and community health.

Approximately 53% of Health Center's expenses are for supplies and expenses. Total supplies and expenses increased by 4% to \$7,079,792 in 2014 from \$6,798,193 in 2013. The Health Center departments experiencing the most significant increases were emergency service and medical records.

Approximately 10% of Health Center's expenses relate to provision for depreciation. The provision for depreciation increased to \$1,344,342 in 2014 from \$1,162,089 in 2013.

### **Nonoperating Gains**

Nonoperating gains increased to \$1,102,844 from \$1,034,826 in 2013 primarily due to an increase in unrestricted contributions.

### **Property and Equipment**

At the end of 2014, the Health Center had \$7,272,281 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 2014, \$511,110 was spent to acquire property and equipment.

A summary of the Health Center's property and equipment is presented in Table 4.

**Table 4**  
**Property and Equipment**

	<b>June 30</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Land	\$ 134,101	\$ 134,101	\$ 134,101
Land improvements	184,357	174,143	174,143
Building and improvement	15,964,899	15,937,817	15,973,291
Major movable equipment	<u>7,321,779</u>	<u>7,047,361</u>	<u>6,001,590</u>
Subtotal	23,605,136	23,293,422	22,283,125
Less accumulated depreciation	<u>(16,332,855)</u>	<u>(15,187,909)</u>	<u>(14,066,662)</u>
Property and equipment	<u>\$ 7,272,281</u>	<u>\$ 8,105,513</u>	<u>\$ 8,216,463</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 2014 actual cash basis financial information to its annual County Hospital budget is presented in Table 5.

**Table 5**  
**Actual vs Budget**

	<b>Actual cash basis</b>	<b>Annual County Hospital budget</b>	<b>Variance</b>
Amount to be raised by taxation	\$ 950,000	\$ 930,095	\$ 19,905
Other revenues/receipts	<u>13,231,873</u>	<u>13,645,568</u>	<u>(413,695)</u>
	14,181,873	14,575,663	(393,790)
Expenses/expenditures	<u>12,566,068</u>	<u>14,449,399</u>	<u>(1,883,331)</u>
Net	<u>\$ 1,615,805</u>	<u>\$ 126,264</u>	<u>\$1,489,541</u>

Actual other revenues/receipts results were lower than County Hospital budget primarily due to lower than expected inpatient volumes during the current year. Expenses/expenditures were lower than County Hospital budget primarily due to less other professional services expenses.

### **Economic and Other Factors and Next Year's Budget**

The Health Center's board and management considered many factors when setting the fiscal year 2015 budget. Of primary importance are the market forces and environmental factors impacting healthcare such as:

- Medicare and Medicaid reimbursement rates
- Reimbursement rates of other payors
- Cost of supplies
- Facility expansion and growth in demand for services
- Technology advancements

### **Contacting Health Center's Management**

This financial report is designed to provide users with a general overview of the Health Center's finances and to demonstrate the Health Center's accountability. If you have questions about this report or need additional information, contact Jackson County Regional Health Center at (563) 652-2474 or write care of: Chief Financial Officer, Jackson County Regional Health Center, 700 W. Grove Street, P.O. Box 910, Maquoketa, Iowa 52060-9988.

**Jackson County Regional Health Center  
BALANCE SHEETS**

<b>ASSETS</b>	<b>June 30</b>	
	<b>2014</b>	<b>2013</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,520,714	\$ 4,665,100
Patient receivables, less allowances for contractual adjustments and bad debts	2,249,434	2,408,961
Other receivables	22,473	11,413
Estimated third-party payor settlements	-	75,000
Inventories	414,104	398,823
Prepaid expenses	205,740	126,080
Succeeding year property tax receivable	<u>977,000</u>	<u>950,000</u>
Total current assets	<u>8,389,465</u>	<u>8,635,377</u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
Cash and cash equivalents designated by board for plant replacement and expansion	<u>11,379,150</u>	<u>9,322,452</u>
<b>PROPERTY AND EQUIPMENT</b>		
Less accumulated depreciation	23,605,136	23,293,422
Total property and equipment	<u>16,332,855</u>	<u>15,187,909</u>
	<u>7,272,281</u>	<u>8,105,513</u>
Totals	<u>\$27,040,896</u>	<u>\$26,063,342</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 274,926	\$ 641,986
Due to Hospital Auxiliary	250,000	-
Accrued employee compensation	416,157	426,644
Payroll taxes and amounts withheld from employees	83,533	133,037
Estimated third-party payor settlements	400,000	500,000
Deferred incentive revenue, current	222,516	-
Deferred revenue for succeeding year property tax receivable	<u>977,000</u>	<u>950,000</u>
Total current liabilities	<u>2,624,132</u>	<u>2,651,667</u>
<b>DEFERRED INCENTIVE REVENUE, LONG-TERM</b>	<u>222,516</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	7,272,281	8,105,513
Unrestricted	<u>16,921,967</u>	<u>15,306,162</u>
Total net position	<u>24,194,248</u>	<u>23,411,675</u>
Totals	<u>\$27,040,896</u>	<u>\$26,063,342</u>

See Notes to Financial Statements.

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

	<b>Year ended June 30</b>	
	<b>2014</b>	<b>2013</b>
<b>NET PATIENT SERVICE REVENUE</b> , net of provision for bad debts 2014 \$839,773; 2013 \$1,001,195	\$12,520,176	\$12,957,088
<b>OTHER REVENUE</b>	<u>558,853</u>	<u>137,811</u>
Total revenue	<u>13,079,029</u>	<u>13,094,899</u>
<b>OPERATING EXPENSES</b>		
Nursing service	4,269,291	3,970,976
Other professional service	3,575,869	3,553,462
General service	1,158,292	1,150,582
Fiscal and administrative service and unassigned expenses	3,051,506	3,164,366
Provision for depreciation	<u>1,344,342</u>	<u>1,162,089</u>
Total operating expenses	<u>13,399,300</u>	<u>13,001,475</u>
Operating income (loss)	<u>(320,271)</u>	<u>93,424</u>
<b>NONOPERATING GAINS</b>		
County taxes	950,000	952,860
Interest income	83,137	80,251
Gain on disposal of equipment	9,870	1,200
Unrestricted contributions	<u>59,837</u>	<u>515</u>
Total nonoperating gains	<u>1,102,844</u>	<u>1,034,826</u>
Change in net position	782,573	1,128,250
<b>TOTAL NET POSITION</b>		
Beginning	<u>23,411,675</u>	<u>22,283,425</u>
Ending	<u>\$24,194,248</u>	<u>\$23,411,675</u>

See Notes to Financial Statements.

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

	<b>Year ended June 30</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from patients and third-party payors	\$12,654,703	\$13,019,643
Cash paid to suppliers for goods and services	(7,603,963)	(6,519,236)
Cash paid to employees for services	(4,985,653)	(5,039,682)
Other operating revenue and cash received	<u>1,253,885</u>	<u>137,811</u>
Net cash provided by operating activities	<u>1,318,972</u>	<u>1,598,536</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
County taxes	950,000	952,860
Contributions received	<u>59,837</u>	<u>515</u>
Net cash provided by noncapital financing activities	<u>1,009,837</u>	<u>953,375</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of property and equipment	(511,110)	(1,051,139)
Proceeds from sale of equipment	<u>9,870</u>	<u>1,200</u>
Net cash (used in) capital and related financial activities	<u>(501,240)</u>	<u>(1,049,939)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<u>84,743</u>	<u>84,425</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,912,312	1,586,397
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	13,987,552	12,401,155
Ending	<u>\$15,899,864</u>	<u>\$13,987,552</u>

See Notes to Financial Statements.

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

	<u>Year ended June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (320,271)	\$ 93,424
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	1,344,342	1,162,089
Changes in assets and liabilities		
Patient receivables	159,527	(497,445)
Other receivables	(12,666)	(5,396)
Net estimated third-party payor settlements	(25,000)	560,000
Inventories	(15,281)	29,246
Prepaid expenses	(79,660)	(11,037)
Accounts payable	(367,060)	288,494
Due to Hospital Auxiliary	250,000	-
Accrued employee compensation	(10,487)	1,511
Payroll taxes and amounts withheld from employees	(49,504)	(22,350)
Deferred incentive revenue	<u>445,032</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 1,318,972</u>	<u>\$ 1,598,536</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET</b>		
Per balance sheet		
Current assets, cash and cash equivalents	\$ 4,520,714	\$ 4,665,100
Assets whose use is limited		
Cash and cash equivalents designated by board for plant replacement and expansion	<u>11,379,150</u>	<u>9,322,452</u>
Total per statement of cash flows	<u>\$15,899,864</u>	<u>\$13,987,552</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)**

**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.

**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.

**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 2013 financial statements in order to conform with the 2014 presentation, with no effect on the change in net position or total assets.

**NOTE 2 CASH AND CASH EQUIVALENTS**

The Health Center's deposits in banks at June 30, 2014 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>2014</u>	<u>2013</u>
Medicare	\$1,018,253	\$ 879,358
Medicaid	417,351	315,759
Commercial insurance	1,208,992	962,580
Patients	<u>464,838</u>	<u>1,021,264</u>
Total patient receivables	3,109,434	3,178,961
Less allowances for contractual adjustments and bad debts	<u>(860,000)</u>	<u>(770,000)</u>
Net patient receivables	<u>\$2,249,434</u>	<u>\$2,408,961</u>

**NOTE 4 PROPERTY AND EQUIPMENT**

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

	<u>June 30, 2014</u>		<u>June 30, 2013</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 134,101	\$ -	\$ 134,101	\$ -
Land improvements	184,357	140,865	174,143	135,928
Building and improvements	15,964,899	10,788,813	15,937,817	10,090,795
Major movable equipment	<u>7,321,779</u>	<u>5,403,177</u>	<u>7,047,361</u>	<u>4,961,186</u>
Totals	<u>\$23,605,136</u>	<u>\$16,332,855</u>	<u>\$23,293,422</u>	<u>\$15,187,909</u>

A summary of changes in property and equipment for the year ended June 30, 2014 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 134,101	\$ -	\$ -	\$ 134,101
Land improvements	174,143	10,214	-	184,357
Building and improvements	15,937,817	27,082	-	15,964,899
Major movable equipment	<u>7,047,361</u>	<u>473,814</u>	<u>199,396</u>	<u>7,321,779</u>
Totals	<u>23,293,422</u>	<u>511,110</u>	<u>199,396</u>	<u>23,605,136</u>
Less accumulated depreciation	<u>(15,187,909)</u>	<u>(1,344,342)</u>	<u>(199,396)</u>	<u>(16,332,855)</u>
Net property and equipment	<u>\$ 8,105,513</u>	<u>\$ (833,232)</u>	<u>\$ -</u>	<u>\$ 7,272,281</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, 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	22,283,125	1,126,382	116,085	23,293,422
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>

**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, 2012.

**Other**

The Health Center also has payment agreements with 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, 2014 regular plan members were required to contribute 5.95% of their annual salary and the Health Center is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The Health Center's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$442,850, \$434,378 and \$419,102, 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, 2014 and 2013.

	<b>2014</b>	<b>2013</b>
Charges foregone, based on established rates	\$ <u>229,962</u>	\$ <u>119,453</u>
Equivalent percentage of charity care patients to all patients served	<u>1.1%</u>	<u>.6%</u>

**NOTE 8 MALPRACTICE CLAIMS**

The Health Center is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Coverage limits are \$1,000,000 per claim and \$3,000,000 in the aggregate.

Presently, no claims alleging malpractice have been asserted against the Health Center. However, incidents occurring through June 30, 2014 may result in the assertion of 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 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, 2014:

	<b>GAAP basis</b>	<b>Cash basis adjustments</b>	<b>Cash basis</b>	<b>County Hospital Budget</b>
Amount to be raised by taxation	\$ 950,000	\$ -	\$ 950,000	\$ 930,095
Other revenues/receipts	<u>13,231,873</u>	<u>-</u>	<u>13,231,873</u>	<u>13,645,568</u>
	14,181,873	-	14,181,873	14,575,663
Expenses/expenditures	<u>13,399,300</u>	<u>(833,232)</u>	<u>12,566,068</u>	<u>14,449,399</u>
Net	782,573	833,232	1,615,805	126,264
Balance, beginning	<u>23,411,675</u>	<u>(8,105,513)</u>	<u>15,306,162</u>	<u>13,656,299</u>
Balance, ending	<u>\$24,194,248</u>	<u>\$(7,272,281)</u>	<u>\$16,921,967</u>	<u>\$13,782,563</u>

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

**NOTE 10 OTHER POST EMPLOYMENT BENEFITS**

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:

	<b>Year ended June 30</b>	
	<b>2014</b>	<b>2013</b>
Annual required contribution, ARC	\$ 10,300	\$ 10,300
Interest on net OPEB obligation	100	100
Adjustment to annual required contribution	<u>(200)</u>	<u>(200)</u>
Annual OPEB cost	10,200	10,200
Contributions made	<u>12,800</u>	<u>10,500</u>
Decrease in net OPEB obligation	<u>(2,600)</u>	<u>(300)</u>
Net OPEB obligation, beginning of year	<u>4,100</u>	<u>4,400</u>
 Net OPEB obligation, end of year	 <u>\$ 1,500</u>	 <u>\$ 4,100</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, 2014 and 2013.

For the years ended June 30, 2014 and 2013, the Health Center contributed \$12,800 and \$10,500, 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, 2014 and 2013 are summarized as follows:

<b>Fiscal year ended</b>	<b>Annual OPEB cost</b>	<b>Percentage of annual OPEB cost contributed</b>	<b>Net OPEB obligation</b>
June 30, 2014	<u>\$ 10,200</u>	<u>125%</u>	<u>\$ 1,500</u>
June 30, 2013	<u>\$ 10,200</u>	<u>103%</u>	<u>\$ 4,100</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, 2014, 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 most recent actuarial valuation date:

<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 MANAGEMENT CONTRACT**

The Health Center has a contractual arrangement with Genesis Health System, under which Genesis provides management and other services to the Health Center. The arrangement does not alter the authority or responsibility of the Board of Trustees of the Health Center. The amount paid to Genesis for services during the years ended June 30, 2014 and 2013 was approximately \$1,000,000 and \$510,000, respectively.

**NOTE 12 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%
2014	July 1, 2012	—	154,000	154,000	0%	3,235,000	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, 2014 and 2013, and have issued our report thereon dated August 1, 2014, 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 1, 2014

**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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
0 - 30 days (includes patients in Health Center at end of year)	\$1,483,126	\$1,713,719	47.70%	53.91%
31 - 60 days	456,440	441,417	14.68	13.89
61 - 90 days	253,430	265,007	8.15	8.34
91 - 150 days	314,720	409,621	10.12	12.89
Over 150 days	<u>601,718</u>	<u>349,197</u>	<u>19.35</u>	<u>10.97</u>
Totals	<u>3,109,434</u>	<u>3,178,961</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	140,000	70,000		
Medicaid	150,000	80,000		
Other	210,000	210,000		
Bad debts	<u>360,000</u>	<u>410,000</u>		
Total allowances	<u>860,000</u>	<u>770,000</u>		
Totals	<u>\$2,249,434</u>	<u>\$2,408,961</u>		
<b>NET PATIENT SERVICE REVENUE PER CALENDAR DAY</b>	<u>\$ 34,302</u>	<u>\$ 35,499</u>		
<b>NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES</b>	<u>66</u>	<u>68</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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>BALANCE</b> , beginning	\$ 410,000	\$ 330,000		
<b>ADD</b>				
Provision for bad debts	839,773	1,001,195	6.71%	7.73%
Recoveries of accounts previously written off	<u>196,119</u>	<u>187,921</u>	1.57	1.45
	1,445,892	1,519,116		
<b>DEDUCT</b>				
Accounts written off	<u>1,085,892</u>	<u>1,109,116</u>	8.67	8.56
<b>BALANCE</b> , ending	<u>\$ 360,000</u>	<u>\$ 410,000</u>		

**Jackson County Regional Health Center**  
**PATIENT SERVICE REVENUE**  
Year ended June 30, 2014, with comparative totals for 2013

	<b>2014</b>			<b>2013</b>
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
<b>DAILY PATIENT SERVICES</b>				
Medical and surgical	\$ 166,133	\$ 98,344	\$ 264,477	\$ 464,571
Skilled care	<u>274,425</u>	<u>–</u>	<u>274,425</u>	<u>234,192</u>
	<u>440,558</u>	<u>98,344</u>	<u>538,902</u>	<u>698,763</u>
<b>OTHER NURSING SERVICES</b>				
Operating and recovery rooms	–	1,620,594	1,620,594	1,754,583
Central supply	29,817	557,760	587,577	603,005
Emergency service	4,792	4,015,374	4,020,166	3,516,463
Ambulance	–	1,411,591	1,411,591	1,404,062
Community health	–	802,247	802,247	793,454
	<u>34,609</u>	<u>8,407,566</u>	<u>8,442,175</u>	<u>8,071,567</u>
<b>OTHER PROFESSIONAL SERVICES</b>				
Laboratory	110,217	1,973,118	2,083,335	2,382,475
Radiology	55,277	5,118,669	5,173,946	5,041,298
Nuclear medicine	–	46,227	46,227	53,922
Pharmacy	263,474	618,610	882,084	698,963
Anesthesiology	–	751,289	751,289	753,985
Respiratory therapy	4,407	188,790	193,197	191,528
Sleep study	–	181,718	181,718	278,972
Cardiac rehabilitation	–	144,933	144,933	169,029
Physical therapy	94,573	1,023,934	1,118,507	1,062,037
Speech therapy	7,826	13,655	21,481	47,435
Occupational therapy	101,727	84,852	186,579	159,724
Diabetic education	–	30,497	30,497	26,738
General surgery	352	309,140	309,492	364,745
Specialty clinics	–	34,596	34,596	43,960
	<u>637,853</u>	<u>10,520,028</u>	<u>11,157,881</u>	<u>11,274,811</u>
Totals	<u>\$1,113,020</u>	<u>\$19,025,938</u>	20,138,958	20,045,141
Charity care charges foregone, based on established rates			<u>(229,962)</u>	<u>(119,453)</u>
Total gross patient service revenue			19,908,996	19,925,688
Provisions for contractual adjustments and bad debts			<u>(7,388,820)</u>	<u>(6,968,600)</u>
Total net patient service revenue			<u>\$12,520,176</u>	<u>\$12,957,088</u>

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

	<b>Year ended June 30</b>	
	<b>2014</b>	<b>2013</b>
Contractual adjustments		
Medicare	\$2,660,820	\$2,224,168
Medicaid	1,595,361	1,222,335
Other adjustments	2,292,866	2,520,902
Provision for bad debts	<u>839,773</u>	<u>1,001,195</u>
 Totals	 <u>\$7,388,820</u>	 <u>\$6,968,600</u>

**OTHER REVENUE**

	<b>Year ended June 30</b>	
	<b>2014</b>	<b>2013</b>
Electronic health records meaningful use incentives	\$ 392,516	\$ —
Home delivered meals	5,636	4,224
Purchase discounts	41,565	13,698
Grants	43,650	47,412
Miscellaneous	<u>75,486</u>	<u>72,477</u>
 Totals	 <u>\$ 558,853</u>	 <u>\$ 137,811</u>

**Jackson County Regional Health Center**  
**EXPENSES**  
Year ended June 30, 2014, with comparative totals for 2013

	<u>2014</u>			<u>2013</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
<b>NURSING SERVICE</b>				
Nursing administration	\$ 107,227	\$ 21,806	\$ 129,033	\$ 126,542
Medical and surgical	656,321	132,443	788,764	775,367
Operating and recovery rooms	186,915	133,002	319,917	311,650
Central supply	22,493	253,023	275,516	242,924
Emergency service	637,050	1,245,666	1,882,716	1,497,560
Ambulance	339,537	44,309	383,846	480,824
Community health	409,354	80,145	489,499	536,109
Total nursing service	<u>2,358,897</u>	<u>1,910,394</u>	<u>4,269,291</u>	<u>3,970,976</u>
<b>OTHER PROFESSIONAL SERVICE</b>				
Laboratory	275,867	332,521	608,388	634,311
Radiology	334,094	530,774	864,868	850,157
Pharmacy	168,916	375,362	544,278	482,896
Anesthesiology	205,169	40,908	246,077	241,605
Respiratory therapy	15,656	5,290	20,946	22,375
Sleep study	-	24,836	24,836	39,365
Cardiac rehabilitation	53,630	5,867	59,497	55,432
Physical therapy	281,681	33,212	314,893	352,555
Speech therapy	6,847	13,271	20,118	20,235
Occupational therapy	29,219	46,302	75,521	89,762
Diabetic education	35,139	3,263	38,402	36,204
General surgery	51,731	371,310	423,041	427,899
Specialty clinics	7,374	1,398	8,772	7,602
Medical records	138,764	187,216	325,980	286,234
Social services	-	252	252	6,830
Total other professional service	<u>1,604,087</u>	<u>1,971,782</u>	<u>3,575,869</u>	<u>3,553,462</u>
<b>GENERAL SERVICE</b>				
Dietary	118,954	41,864	160,818	164,455
Operation of plant	158,154	630,761	788,915	772,418
Housekeeping	146,430	22,903	169,333	173,968
Laundry	22,275	16,951	39,226	39,741
Total general service	<u>445,813</u>	<u>712,479</u>	<u>1,158,292</u>	<u>1,150,582</u>
<b>FISCAL AND ADMINISTRATIVE SERVICE</b>				
Administrative	48,453	410,485	458,938	727,382
Accounting	128,616	18,793	147,409	163,534
Business office	208,820	130,591	339,411	289,854
Human resources	101,419	26,108	127,527	95,358
Purchasing	67,063	13,640	80,703	82,726
Employee health	11,109	1,908	13,017	10,529
Data processing	889	252,057	252,946	199,821

**Jackson County Regional Health Center**  
**EXPENSES (continued)**  
**Year ended June 30, 2014, with comparative totals for 2013**

	<u>2014</u>			<u>2013</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
<b>UNASSIGNED EXPENSES</b>				
FICA	\$ —	\$ 353,005	\$ 353,005	\$ 353,841
IPERS	—	442,850	442,850	434,378
Group health, life and other benefits	—	675,307	675,307	651,538
Workers compensation insurance	—	72,107	72,107	66,398
Insurance	—	88,286	88,286	89,007
Total fiscal and administrative service and unassigned expenses	<u>566,369</u>	<u>2,485,137</u>	<u>3,051,506</u>	<u>3,164,366</u>
<b>PROVISION FOR DEPRECIATION</b>	<u>—</u>	<u>1,344,342</u>	<u>1,344,342</u>	<u>1,162,089</u>
Total expenses	<u>\$4,975,166</u>	<u>\$8,424,134</u>	<u>\$13,399,300</u>	<u>\$13,001,475</u>

**Jackson County Regional Health Center  
COMPARATIVE STATISTICS**

	<b>Year ended June 30</b>	
	<b>2014</b>	<b>2013</b>
<b>PATIENT DAYS</b>		
Medical and surgical	202	405
Swing bed, skilled care	767	656
Totals	969	1,061
<b>DISCHARGES</b>		
Medical and surgical	71	144
Swing bed, skilled care	65	79
Totals	136	223
<b>AVERAGE LENGTH OF STAY</b>		
Medical and surgical	2.85	2.81
Swing bed, skilled care	11.80	8.30

**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, 2014, and the related notes to the financial statements, and have issued our report thereon dated August 1, 2014.

**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, 2014 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 1, 2014

**Jackson County Regional Health Center  
SCHEDULE OF FINDINGS  
Year ended June 30, 2014**

**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, 2014**

**Part II—Findings Related to Required Statutory Reporting**

**14-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, 2014.

**14-II-B QUESTIONABLE EXPENDITURES**

No questionable expenditures of Health Center funds were noted.

**14-II-C TRAVEL EXPENSES**

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

**14-II-D BUSINESS TRANSACTIONS**

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

**14-II-E BOARD MINUTES**

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

**14-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.