B29535

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

JAY COUNTY HOSPITAL
A COMPONENT UNIT OF
JAY COUNTY, INDIANA

October 1, 2005 to September 30, 2006

FILED
02/19/2007

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HOSPITAL OFFICIALS

Office	Official	Term
Executive Director	R. Joe Johnston	10-01-05 to 09-30-07
Treasurer	Don Michael	07-01-05 to 05-31-07
Chairman of the Hospital Board	John G. Young	07-01-05 to 05-31-06
	Dean Jetter	06-01-06 to 05-31-07
President of the Board of County Commissioners	Milo M. Miller, Jr.	01-01-05 to 12-31-07

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE JAY COUNTY HOSPITAL, JAY COUNTY, INDIANA

We have audited the accompanying basic financial statements of Jay County Hospital (Hospital) as of and for the fiscal year ended September 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Midwest Health Strategies, Inc., an affiliated company, financial information from which is presented in Note III. D. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Midwest Health Strategies, Inc., is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, except for the unaudited financial information presented in Note III, D on which we express no opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital as of September 30, 2006, and the respective changes in financial position and cash flows, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis and Schedule of Funding Progress as listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

February 1, 2007

This discussion and analysis of the financial performance of Jay County Hospital provides an overview of the Hospital's financial activities for the fiscal year ended September 30, 2006. This discussion and analysis should be reviewed in conjunction with the accompanying financial statements.

The annual financial report consists of two parts: the management discussion and analysis and the financial statements. The management discussion provides a summary analysis of the financial activities for the fiscal year. The financial statements provide more detailed information regarding financial activities and results.

During fiscal year 2006 total inpatient admissions increased by 10% from fiscal year 2005. This increase was caused by the opening of a geriatric psychiatric unit. Total admissions during 2006 were 1,182. Patient days also increased, from 4,604 to 6,190. Outpatient registrations decreased slightly.

The hospital experienced an increase in net assets of $2.7 million during fiscal year 2006. This compares to an increase of $2.7 million during fiscal year 2005 and a budgeted increase of $1.8 million.

Net patient service revenues for fiscal year 2005 were $21.1 million, an increase of 8% from the previous year. This increase was due to a 10% rate increase effective January 1, 2006 and additional services provided to geriatric psychiatric patients. Total operating expenses were $19.4 million; this was an increase of 10% from 2005. Expenses increased for employee wages and supplies. These increases were largely due to the opening of the new geriatric psychiatric unit.

During fiscal year 2006 the Hospital purchased approximately $1.7 million in capital assets. The largest capital disbursement was for the renovation of patient rooms, nursing, surgery, pharmacy, and other areas in the hospital. During fiscal year 2006, Jay County Hospital did not borrow any funds; all capital disbursements were paid from cash or internally designated accounts. Jay County Hospital has no long-term debt.

Following are summary financial statements for fiscal year 2006.

Summarized Financial Statement Information

The following information documents in summary form the financial information related to the activities of the hospital for the fiscal year ending September 30, 2006.

Statement of Net Assets:

(In millions)	2006	2005
Current assets	9.6	8.8
Noncurrent assets	11.4	11.0
Capital assets	7.2	6.4
Other assets	.7	0.7
Total Assets	28.9	26.9
Current Liabilities	1.5	2.0
Total Liabilities	1.5	2.0

Net Assets		
Invested in capital assets, net of related debt	7.2	6.4
Restricted for specific grant activities	0.0	0.0
Unrestricted	20.2	18.5
Total Net Assets	27.4	24.9
Total Liabilities and Net Assets	28.9	26.9

Statement of Revenues and Expenses and Changes in Net Assets:

(In millions)	2006	2005
Revenue		
Net patient service revenue	21.1	19.5
Other revenues	0.5	0.5
Total Revenues	21.6	20.0
Expenses		
Salaries and benefits	10.3	9.4
Medical professional fees	0.5	0.5
Other professional fees	0.5	0.5
Maintenance and purchased services	3.9	3.5
Medical supplies and drugs	2.5	2.2
Insurance	0.1	0.1
Other supplies	0.6	0.4
Depreciation and amortization	1.0	1.0
Total Expenses	19.4	17.6
Operating income/(loss)	2.2	2.4
Nonoperating revenues (expenses)	0.5	0.3
Increase in net assets	2.7	2.7
Net assets beginning of year	24.7	22.3
Net assets end of year	27.4	25.0

JAY COUNTY HOSPITAL
A COMPONENT UNIT OF JAY COUNTY, INDIANA
STATEMENT OF NET ASSETS
September 30, 2006

Assets	
Current assets:	
Cash and cash equivalents	$ 4,781,214
Patient accounts receivable, net of estimated uncollectibles	4,633,819
Supplies and other current assets	367,471
Noncurrent cash and investments:	
Internally designated	11,367,429
Restricted by contributors and grantors	55,442
Capital assets:	
Land	220,245
Depreciable capital assets, net of accumulated depreciation	7,004,050
Other assets	739,284
Total assets	$ 29,168,954
Liabilities and Net Assets	
Current liabilities:	
Accounts payable and accrued expenses	$ 964,373
Estimated third-party payor settlements	225,000
Other current liabilities	320,358
Total liabilities	1,509,731
Net assets:	
Invested in capital assets, net of related debt	7,224,295
Restricted:	
Expendable for specific grant activities	55,442
Unrestricted	20,379,486
Total net assets	27,659,223
Total liabilities and net assets	$ 29,168,954

The accompanying notes are an integral part of the financial statements.

JAY COUNTY HOSPITAL
A COMPONENT UNIT OF JAY COUNTY, INDIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended September 30, 2006

Operating revenues:	
Net patient service revenue (net of provision for bad debt)	$ 21,127,892
Other	518,966
Total operating revenues	21,646,858
Operating expenses:	
Salaries and benefits	10,333,626
Medical supplies and drugs	464,804
Other professional fees	516,996
Maintenance and purchased services	3,902,743
Medical supplies and drugs	2,489,762
Insurance	153,883
Other supplies	581,604
Depreciation	986,415
Total operating expenses	19,429,833
Operating income	2,217,025
Nonoperating revenues (expenses):	
Interest income	425,012
Noncapital grants and contributions	87,374
Gain on investment in affiliated companies	8,834
Other	(126,805)
Total nonoperating revenues	394,415
Increase in net assets	2,611,440
Net assets beginning of the year	25,047,783
Net assets end of the year	$ 27,659,223

The accompanying notes are an integral part of the financial statements.

JAY COUNTY HOSPITAL
A COMPONENT UNIT OF JAY COUNTY, INDIANA
STATEMENT OF CASH FLOWS - RESTRICTED AND UNRESTRICTED FUNDS
Year Ended September 30, 2006

Cash flows from operating activities:	
Receipts from and on behalf of patients	$ 19,648,281
Payments to suppliers and contractors	(8,039,088)
Payments to employees	(10,216,559)
Other receipts and payments, net	465,661
Net cash provided by operating activities	1,858,295
Cash flows from noncapital financing activities:	
Noncapital grants and contributions	87,374
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,760,264)
Cash flows from investing activities:	
Interest received	426,382
Net increase in cash and cash equivalents	611,787
Cash and cash equivalents at beginning of year	15,249,499
Cash and cash equivalents at end of year	$ 15,861,286

Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents in current assets	$ 4,781,214
Restricted cash and cash equivalents	11,080,072
Total cash and cash equivalents	$ 15,861,286

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 2,217,025
Adjustments to reconcile operating income to net cash flows used in operating activities:	
Depreciation	986,415
Nonoperating expenses	(126,805)
(Increase) decrease in current assets:	
Patient accounts receivable	(905,469)
Other receivables	41,462
Supplies and other current assets	79,110
Other assets	10,877
Increase (decrease) in current liabilities:	
Accounts payable and accrued expenses	79,649
Other current liabilities	51,031
Estimated third-party payor settlements	(575,000)
Net cash provided by operating activities	$ 1,858,295

Noncash investing, capital, and financing activities:
The Hospital's investments in affiliated companies had a noncash increase in fair value of $8,834.

The accompanying notes are an integral part of the financial statements.

I. Summary of Significant Accounting Policies

A. Reporting Entity

Jay County Hospital (Hospital) is a county-owned facility and operates under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital provides short-term inpatient and outpatient health care.

The Board of County Commissioners of Jay County appoints the Governing Board of the Hospital and a financial benefit/burden relationship exists between the County and the Hospital. For these reasons, the Hospital is considered a component unit of Jay County.

The accompanying financial statements present the activities of the Hospital (primary government) and its significant component unit. The component unit discussed below is included in the Hospital's reporting entity because of the significance of its operational or financial relationships with the Hospital. The blended component unit, although a legally separate entity, is in substance part of the government's operations and exists solely to provide services for the government; data from this unit is combined with data of the primary government.

<u>Blended Component Units</u>

The Jay County Hospital Foundation is a significant blended component unit of the Hospital. The primary government appoints a voting majority of the Foundation's board and a financial benefit/burden relationship exists between the Hospital and the Foundation. Although it is legally separate from the Hospital, the Foundation is reported as if it were a part of the Hospital because it provides services entirely or almost entirely to the Hospital.

B. Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

C. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

Cash and cash equivalents include demand deposits and investments in highly liquid debt instruments with an original maturity date of three months or less.

Short-term investments are investments with remaining maturities of up to ninety days.

Statutes authorize the Hospital to invest in interest-bearing deposit accounts, passbook savings accounts, certificates of deposit, money market deposit accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations.

Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investments in affiliated companies are reported using the equity method of accounting, or at cost, as applicable.

Other investments are generally reported at fair value.

Investment income, including changes in the fair value of investments, is reported as nonoperating revenues in the statement of revenues, expenses, and changes in net assets.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, and equipment, are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the financial statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land improvements	$ 2,500	Straight-line	5 to 25 years
Buildings and building service equipment	2,500	Straight-line	5 to 40 years
Fixed equipment	2,500	Straight-line	4 to 20 years
Major movable equipment	2,500	Straight-line	3 to 32 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. There was no interest expense incurred by the Hospital during the current fiscal year.

4. Net Assets

Net assets of the Hospital are classified in three components.

Net assets invested in capital assets consist of capital assets net of accumulated depreciation.

Restricted expendable net assets are noncapital net assets that must be used for a particular purpose, as specified by grantors, discussed in Note 1. D.

Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets or restricted.

D. Grants and Contributions

From time to time, the Hospital receives grants from Jay County and the State of Indiana as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

E. Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

F. Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues, including grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

G. Compensated Absences

The Hospital's policy on paid days off (which includes vacation, sick leave, and holidays) allows all employees who are regularly scheduled at least 30 hours a week in regular employment status to accrue paid time off (PTO) to a maximum of 480 hours. PTO is paid to employees through a lump sum cash payment upon termination if not discharged and proper notice of leaving employment is given.

Paid days off are accrued when incurred and reported as a liability.

II. Detailed Notes

A. Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. Balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital at fiscal year end consisted of these amounts:

Patient Accounts Receivable	
Receivable from patients and their insurance carriers	$ 4,141,958
Receivable from Medicare	2,538,032
Receivable from Medicaid	481,103
Total patient accounts receivable	7,161,093
Less allowance for uncollectible amounts	2,527,274
Patient accounts receivable, net	$ 4,633,819

Accounts Payable and Accrued Expenses	
Payable to employees (including payroll taxes)	$ 557,087
Payable to suppliers	407,286
Total accounts payable and accrued expenses	$ 964,373

C. Capital Assets

Capital asset activity for the fiscal year ended September 30, 2006, was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 220,245	$ -	$ -	$ 220,245
Construction in progress	692,304	1,164,308	1,856,612	-
Total capital assets, not being depreciated	912,549	1,164,308	1,856,612	220,245
Capital assets, being depreciated:				
Land improvements	812,748	12,260	-	825,008
Buildings and building service equipment	11,981,468	1,874,565	-	13,856,033
Fixed equipment	1,798,809	-	-	1,798,809
Major movable equipment	4,433,390	565,743	-	4,999,133
Totals	19,026,415	2,452,568	-	21,478,983
Less accumulated depreciation for:				
Land improvements	791,208	5,584	-	796,792
Buildings and building service equipment	7,903,100	411,815	-	8,314,915
Fixed equipment	1,277,646	218,385	-	1,496,031
Major movable equipment	3,516,564	350,631	-	3,867,195
Totals	13,488,518	986,415	-	14,474,933
Total capital assets, being depreciated, net	5,537,897	1,466,153	-	7,004,050
Total primary government capital assets, net	$ 6,450,446	$ 2,630,461	$ 1,856,612	$ 7,224,295

D. Restricted Net Assets

Restricted, expendable net assets are available for the following purposes:

Indiana Tobacco Prevention and Cessation Agency Grant:	
Tobacco use prevention programs	$ 12,749
Bioterrorism Hospital Preparedness Grant:	
Emergency preparedness programs and equipment	42,693
Total expendable, restricted net assets	$ 55,442

E. Charity Care

Charges excluded from revenue under the Hospital's charity care policy were $404,362 for fiscal year 2006.

F. Internally Designated Assets

Noncurrent cash and investments internally designated include the following:

1. Funded Depreciation – Amounts transferred from the Operating Fund by the Hospital Board of Trustees through funding depreciation expense. Such amounts are to be used for equipment and building, remodeling, repairing, replacing or making additions to the Hospital buildings as authorized by Indiana Code 16-22-3-13.

2. Designated Funds – Assets set aside by the Hospital Board of Trustees for identified purposes and over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Internally designated:	
Funded depreciation:	
Cash and cash equivalents	$ 10,686,057
Accrued interest receivable	342,287
Total funded depreciation	11,028,344
Board designation:	
Cash and cash equivalents	338,573
Accrued interest receivable	512
Total board designation	339,085
Total internally designated	$ 11,367,429

III. Other Information

A. 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; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees

The Hospital has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Employee Health Trust Account where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of $50,000 and aggregate claims in excess of $1,284,764 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years.

Claim expenditures are reported as expense in the fiscal year in which they are paid.

Claim liabilities cannot be reasonably estimated.

B. Subsequent Events

1. Creation of Jay County MRI, LLC

Jay County MRI, LLC (the LLC) has been created to be jointly owned by the Hospital and physicians for the purpose of purchasing an MRI machine and leasing it to the Hospital. The LLC is issuing 100 Class B ownership units to be sold to the Hospital for a total of $500,000 and 50 Class A ownership units to be sold to physicians at $5,000 a unit. The LLC has received obligations from physicians for three of the Class A units and the Hospital will be purchasing the 47 remaining units for a total of $235,000. The Hospital can then sell the Class A units it purchases to physicians.

2. Purchase of West Jay Clinic

In December 2006, the Hospital Board approved the purchase of the West Jay Clinic building and medical equipment for a total price of $170,000. The Hospital is making the purchase in order to continue having a medical office and practice in the City of Dunkirk, Indiana. The Hospital will be contracting for management of the practice.

3. Purchase of Equipment

The Board has authorized the purchase of an automated medication storage cabinet system at a cost of $245,948.

C. Fair Value of Financial Instruments

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and Cash Equivalents

The carrying amount reported in the statement of net assets for cash and cash equivalents approximates its fair value.

Accounts Payable and Accrued Expenses

The carrying amount reported in the statement of net assets for accounts payable and accrued expenses approximates its fair value.

Estimated Third-Party Payor Settlements

The carrying amount reported in the statement of net assets for estimated third-party payor settlements approximates its fair value.

D. Investment in Affiliated Companies

In 2002, the Hospital entered into an agreement with two unrelated hospitals and Cardinal Health Ventures, Inc., to establish and operate Midwest Health Strategies, Inc., to provide physical occupational, speech and rehabilitation therapy services to the general public of East Central Indiana. In accordance with this agreement, Jay County Hospital transferred physical therapy equipment with a book value $7,778 to Midwest Health Strategies, Inc., for an 8% membership interest. The Corporation began operation July 1, 2002. Profits and losses of the Corporation will be distributed among the members in proportion to their respective percentage interests. The investment is recorded on the cost method.

In 2004, the Hospital entered into an agreement with Cardinal Health Ventures, Inc., to establish Jay County Medical Facilities, L.L.C. to purchase a medical office building and then lease the facilities to health care providers. The Hospital's interest in the Corporation is 65% which was based on their initial contribution of $422,750. Profits and losses of the Corporation will be distributed among the members in proportion to their respective percentage interests. The investment is recorded on the equity method.

The Hospital's investment in affiliated companies is included in the Other Assets category of the statement of net assets.

Summarized financial information as of June 30, 2006 and September 30, 2006, and for the fiscal years then ended from the audited and unaudited financial statements of the Affiliated Companies follows:

	Jay County Medical Facilities, LLC	Midwest Health Strategies, Inc.
	Unaudited Fiscal Year Ended 09-30-06	Audited Fiscal Year Ended 06-30-06
Current assets	$ 77,718	$ 20,758,531
Noncurrent assets	697,208	2,706,907
Current liabilities	-	22,437,044
Equity/net assets	774,926	1,028,934
Revenue	162,508	19,057,502
Net income/change in net assets	13,591	(1,118,745)

E. Pension Plan

Jay County Hospital Employees' Pension Plan

Plan Description

The Hospital has a defined benefit pension plan administered by McCready and Keene, Inc., as authorized by Indiana Code 16-22-3-11. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement between the Hospital Board of Trustees and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

Jay County Hospital
500 W. Votaw Street
Portland, IN 47371
Ph. (260) 726-7131

Funding Policy

The contribution requirements of plan members are established by the written agreement between the Hospital Board of Trustees and the Plan Administrator. The Hospital is required to contribute at an actuarially determined rate. The current rate is 5.8% of annual covered payroll.

Actuarial Information for the Above Plan

Annual required contribution	$ 327,819
Interest on net pension obligation	3,986
Adjustment to annual required contribution	(5,660)
Annual pension cost	326,145
Contributions made	(292,550)
Interest on actual employer contribution	(9,023)
Increase in net pension obligation	24,572
Net pension obligation, beginning of year	53,149
Net pension obligation, end of year	$ 77,721

Contribution rates:	
Hospital	5.8%
Plan members	-
Actuarial valuation date	January 1, 2006
Actuarial cost method	Frozen initial liability
Amortization method	Level percentage of projected payroll
Amortization period	12 years
Asset valuation method	Market value

Actuarial Assumptions

Investment rate of return	7.5%
Projected future salary increases:	
Total	4%
Attributed to inflation	4%

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-03	$ 270,592	60.8%	$ 63,392
12-31-04	283,726	100.4%	53,149
12-31-05	326,145	60.8%	77,721

JAY COUNTY HOSPITAL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Jay County Hospital Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-04	$ 4,967,093	$ 5,126,238	$ (159,145)	97%	$ 5,192,353	(3%)
01-01-05	5,404,225	5,553,585	(149,360)	97%	6,073,018	(2%)
01-01-06	5,624,868	5,799,030	(174,162)	97%	6,345,765	(3%)

JAY COUNTY HOSPITAL
AUDIT RESULTS AND COMMENTS

APPROVAL OF FORMS

As also noted in prior Report B26613, neither the Hospital's computerized accounting system, nor the forms produced by it, had been submitted to the State Board of Accounts for approval. Prescribed forms are not in use.

The State Board of Accounts is charged by law with the responsibility of prescribing and installing a system of accounting and reporting which shall be uniform for every public office and every public account of the same class. [IC 5-11-1-2]

A prescribed form is one which is put into general use for all offices of the same class, whereas an approved form is a computerized form for special use in a particular office. All governmental units are required by law to use the forms prescribed by this department; however, if it is desirable to use a different form or to have a prescribed form modified to conform for computer applications, a letter and three copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval. (Accounting and Uniform Compliance Guidelines Manual for County and City Hospitals, Chapter 1)

OFFICIAL BOND

The Hospital's public official name schedule blanket bond for the term of July 23, 2006 to July 23, 2007 was not filed in the Office of the County Recorder:

Indiana Code 16-22-2-9(c) states in part: "The executive director and all persons whose duty it is to handle funds of the hospital must execute a corporate surety bond in the amount and with conditions required by the board. . . . All bonds required by this subsection must be approved by the board and filed with the county recorder."

JAY COUNTY HOSPITAL
EXIT CONFERENCE

The contents of this report were discussed on February 1, 2007, with Don Michael, Treasurer; and R. Joe Johnston, Executive Director. The officials concurred with our audit findings.