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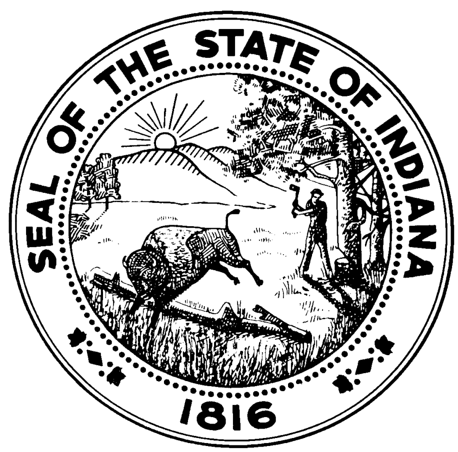
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

JAY COUNTY HOSPITAL
A COMPONENT UNIT OF
JAY COUNTY, INDIANA

October 1, 2007 to September 30, 2008



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04/21/2009

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HOSPITAL OFFICIALS

Office	Official	Term
Executive Director	R. Joe Johnston	10-01-07 to 09-30-09
Treasurer	Don Michael	06-01-07 to 05-31-09
Chairman of the Hospital Board	Dean Jetter	06-01-07 to 05-31-08
	David Littler	06-01-08 to 05-31-09
President of the Board of County Commissioners	Milo M. Miller, Jr.	01-01-07 to 12-31-09

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 year ended September 30, 2008, 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 the Foundation, 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, 2008, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

The Management 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

March 31, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2008. 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 2008 total inpatient admissions increased by 4% from fiscal year 2007. Total admissions during 2008 were 1,266. Patient days also increased, from 6,741 to 6,966. Outpatient registrations increased 23%.

The hospital experienced an increase in net assets of $4.5 million during fiscal year 2008. This compares to an increase of $3.2 million during fiscal year 2007 and a budgeted increase of $2.0 million.

Net patient service revenues for fiscal year 2008 were $26.2 million, an increase of 13% from the previous year. Total operating expenses were $22.6 million; this was an increase of 7% from 2007. Expenses increased for employee wages and maintenance and purchased services.

During fiscal year 2008 the Hospital purchased approximately $6.3 million in capital assets. The largest expenditures were related to major renovation project estimated at over $7 million. During fiscal year 2008, 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 2008.

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, 2008.

Statement of Net Assets:

(In millions)	2008	2007
Current assets	11.3	11.1
Noncurrent assets	13.6	12.8
Capital assets	13.6	7.9
Other assets	1.2	1.4
Total Assets	39.7	33.2
Current Liabilities	3.6	2.3
Long-term Liabilities	0.0	0.0
Total Liabilities	3.6	2.3
Net Assets		
Invested in capital assets, net of related debt	13.6	7.9
Restricted for capital acquisitions	0.0	0.3
Restricted for specific grant activities	0.1	0.1
Unrestricted	22.4	22.6
Total Net Assets	36.1	30.8
Total Liabilities and Net Assets	39.7	33.2

Statement of Revenues and Expenses and Changes in Net Assets:

(In millions)	2008	2007
Revenue		
Net patient service revenue	26.6	22.8
Other revenues	0.5	0.5
Total Revenues	27.0	23.3
Expenses		
Salaries and benefits	11.6	10.6
Medical professional fees	0.5	0.5

Other professional fees	0.8	0.8
Maintenance and purchased services	5.2	4.6
Supplies and drugs	3.1	3.1
Insurance	0.3	0.2
Depreciation and amortization	1.0	1.1
Total Expenses	22.6	20.8
Operating income/(loss)	4.4	2.5
Nonoperating revenues (expenses)	0.5	0.5
Excess of revenues over expenses before capital grants and contributions, additions to permanent endowments, and special and extraordinary items	4.9	3.0
Capital grants and contributions		
Transfer from Foundation to Hospital	0.4	0.0
Increase in net assets	5.3	3.1
Net assets beginning of year	30.8	27.7
Net assets end of year	36.1	30.8

Columns may not add due to rounding.

JAY COUNTY HOSPITAL
STATEMENT OF NET ASSETS
September 30, 2008

Assets	
Current assets:	
Cash and cash equivalents	$ 4,522,015
Patient accounts receivable, net of estimated uncollectibles	5,986,523
Supplies and other current assets	753,454
Noncurrent cash and investments:	
Internally designated	13,527,476
Restricted by contributors and grantors	153,968
Capital assets:	
Land	220,245
Construction in progress	6,532,095
Depreciable capital assets, net of accumulated depreciation	6,804,971
Other assets	1,177,770
Total assets	$ 39,678,517
Liabilities and Net Assets	
Current liabilities:	
Accounts payable and accrued expenses	$ 1,335,936
Payroll and benefits payable	1,122,736
Estimated third-party payor settlements	1,010,000
Other current liabilities	69,901
Net pension obligation	25,117
Total liabilities	3,563,690
Net assets:	
Invested in capital assets	13,557,311
Restricted:	
Expendable for capital acquisitions	9,560
Expendable for specific grant activities	144,408
Unrestricted	22,403,548
Total net assets	36,114,827
Total liabilities and net assets	$ 39,678,517

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

JAY COUNTY HOSPITAL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended September 30, 2008

Operating revenues:	
Net patient service revenue (net of provision for bad debt)	$ 26,538,681
Other	472,528
Total operating revenues	27,011,209
Operating expenses:	
Salaries and wages	8,963,302
Employee benefits	2,659,876
Supplies and services	9,970,702
Depreciation and amortization	1,048,265
Total operating expenses	22,642,145
Operating income	4,369,064
Nonoperating revenues (expenses):	
Investment income	621,227
Noncapital grants and contributions	47,828
Loss on investment in affiliated companies	(68,710)
Other	(68,205)
Total nonoperating revenues	532,140
Excess of revenues over expenses before capital grants and contributions	4,901,204
Capital grants and contributions	365,985
Increase in net assets	5,267,189
Net assets beginning of the year	30,847,638
Net assets end of the year	$ 36,114,827

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

JAY COUNTY HOSPITAL
STATEMENT OF CASH FLOWS - RESTRICTED AND UNRESTRICTED FUNDS
Year Ended September 30, 2008

Cash flows from operating activities:	
Receipts from and on behalf of patients	$ 26,513,499
Payments to suppliers and contractors	(9,494,527)
Payments to employees	(11,411,434)
Other receipts and payments, net	472,528
Net cash provided by operating activities	6,080,066
Cash flows from noncapital financing activities:	
Noncapital grants and contributions	47,828
Other	(131,000)
Net cash used by noncapital financing activities	(83,172)
Cash flows from capital and related financing activities:	
Capital grants and contributions	365,985
Purchase of capital assets	(6,296,302)
Proceed from sale of capital assets	12,000
Net cash used by capital and related financing activities	(5,918,317)
Cash flows from investing activities:	
Interest and dividends on investments	739,055
Net increase in cash and cash equivalents	817,632
Cash and cash equivalents at beginning of year	17,276,818
Cash and cash equivalents at end of year	$ 18,094,450
Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents in current assets	$ 4,522,015
Restricted cash and cash equivalents	13,572,435
Total cash and cash equivalents	$ 18,094,450
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 4,369,064
Adjustments to reconcile operating income to net cash flows used in operating activities:	
Depreciation and amortization	1,048,265
(Increase) decrease in current assets:	
Patient accounts receivable	(519,212)
Supplies and other current assets	318,355
Other assets	68,710
Increase (decrease) in current liabilities:	
Accounts payable and accrued expenses	101,780
Wages and benefits payable	211,744
Estimated third-party payor settlements	494,030
Other liabilities related to operating activities	(12,670)
Net cash provided by operating activities	$ 6,080,066

Noncash investing, capital, and financing activities:
Capital asset additions of $959,447 were in accounts payable at September 30, 2008.

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, IC 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 relationship 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.

Blended Component Unit

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 90 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.

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	5-25 years
Buildings and building service equipment	2,500	Straight-line	5-40 years
Fixed equipment	2,500	Straight-line	4-20 years
Major moveable equipment	2,500	Straight-line	3-32 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 creditors, grantors, or contributors external to the hospital.

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 time-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 if proper notice of leaving employment is given.

Paid time-off is 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. IC 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 year end consisted of these amounts:

Patient Accounts Receivable	
Receivable from patients and their insurance carriers	$ 6,132,382
Receivable from Medicare	2,604,346
Receivable from Medicaid	745,348
Total patient accounts receivable	9,482,076
Less allowance for uncollectible amounts	3,495,553
Patient accounts receivable, net	$ 5,986,523

Accounts Payable and Accrued Expenses	
Payable to suppliers	$ 1,335,936

C. Capital Assets

Capital asset activity for the fiscal year ended September 30, 2008, was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 220,245	$ -	$ -	$ 220,245
Construction in progress	909,643	6,003,974	381,522	6,532,095
Total capital assets, not being depreciated	1,129,888	6,003,974	381,522	6,752,340

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Land improvements	825,008	-	6,833	818,175
Buildings and building service equipment	13,749,006	381,522	32,491	14,098,037
Fixed equipment	1,843,977	18,000	62,249	1,799,728
Major movable equipment	5,963,215	705,654	680,923	5,987,946
Totals	22,381,206	1,105,176	782,496	22,703,886
Less accumulated depreciation for:				
Land improvements	802,132	5,281	6,833	800,580
Buildings and building service equipment	8,576,382	486,100	32,491	9,029,991
Fixed equipment	1,711,162	90,043	62,249	1,738,956
Major movable equipment	4,525,554	466,840	663,006	4,329,388
Totals	15,615,230	1,048,264	764,579	15,898,915
Total capital assets, being depreciated, net	6,765,976	56,912	17,917	6,804,971
Total primary government capital assets, net	$ 7,895,864	$ 6,060,886	$ 399,439	$ 13,557,311

D. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to September 30, 2008	Committed	Required Future Funding
Hospital renovation	$ 8,265,932	$ 6,532,095	$ 1,733,837	$ -

E. Restricted Net Assets

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

	2008
Bioterrrorism Hospital Preparedness Grant:	
Emergency preparedness programs and equipment	$ 144,408
Jay County Hospital Foundation Capital Campaign:	
Hospital renovations	9,560
Total expendable, restricted net assets	$ 153,968

F. Charity Care

Charges excluded from revenue under the Hospital's charity care policy were $273,502 for 2008.

G. Internally Designated Assets

Noncurrent cash and cash equivalents 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 IC 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	$ 13,136,362
Accrued interest receivable	109,010
Total funded depreciation	13,245,372
Board designation:	
Cash and cash equivalents	282,104
Total internally designated	$ 13,527,476

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 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 and Dependents

The Hospital has chosen to establish a risk financing fund for risks associated with medical benefits to employees and dependents. The risk financing fund is accounted for in the Employee Health Trust Account where assets are set aside as needed for claim settlements. An excess policy through commercial insurance covers individual claims in excess of $50,000 and aggregate claims in excess of $968,862 per year. Settled claims did not exceed commercial insurance coverage in the past three years.

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

Claim liabilities cannot be reasonably estimated.

B. Subsequent Events

Loan Receivable

There is a physician recruitment loan receivable of $243,830 included in other assets that may not be collectible. The physician has terminated the recruitment agreement and relocated outside the United States. The Hospital will attempt to collect or renegotiate this loan.

Medicare Settlement

The Hospital received $320,504 during October 2008 for settlement of the fiscal year 2006 Medicare Cost Report. Payables to Medicare totaling $1,010,000 for the fiscal years 2007 and 2008 Medicare Cost Reports are accrued as of September 30, 2008.

New Pension Plan

On January 1, 2009, the Hospital implemented a new pension plan for employees hired on or after that date. Employees hired prior to January 1, 2009, will remain in the current defined benefit plan. The new plan is a defined contribution plan and the Hospital will contribute 2% of payroll for eligible employees and match 50% of the employees' contributions up to 5% of an employee's eligible payroll.

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 fair value.

Accounts Payable and Accrued Expenses

The carrying amount reported in the Statement of Net Assets for accounts payable and accrued expenses approximates fair value.

Estimated Third-Party Payor Settlements

The carrying amount reported in the Statement of Net Assets for estimated third-party payor settlements approximates 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 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 of $7,778 to Midwest Health Strategies, Inc., for an 8% membership interest. The Corporation began operations on 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, LLC 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.

In 2007, the Hospital purchased an interest in Jay County MRI, LLC. Jay County MRI, LLC was formed June 1, 2006, for the purpose of owning, operating, and maintaining a magnetic imaging scanner (MRI) to lease to the Jay County Hospital. The Hospital's interest in the Corporation is 98% which was based on their initial contribution of $735,000. 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.

Summarized financial information as of June 30, 2008, and September 30, 2008, and for the fiscal years then ended, from the audited and unaudited financial statements, respectively, of the Affiliated Companies follows:

	Jay County Medical Facilities, LLC	Midwest Health Strategies, Inc.	Jay County MRI, LLC
	Unaudited Fiscal Year Ended 09-30-08	Audited Fiscal Year Ended 06-30-08	Unaudited Fiscal Year Ended 09-30-08
Current assets	$ 31,901	$ 18,832,070	$ 771,446
Noncurrent assets	694,925	2,192,269	1,526,513
Current liabilities	107	22,024,022	-
Noncurrent liabilities	-	-	1,586,098
Net assets	726,719	(999,683)	711,861
Revenue	116,560	16,625,654	256,595
Net loss	(43,808)	(335,872)	(38,121)

E. Estimated Third-Party Settlements

Regulations in effect require annual retroactive settlements for third-party settlements based upon cost reports filed by the Hospital. These retroactive settlements are estimated and recorded in the accompanying financial statements. Changes in these estimates are reflected in the year in which they occur. During 2008, net patient service revenues in the accompanying statements of operations were increased by $265,970, to reflect changes in the estimated settlements for certain prior years.

F. 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 IC 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 St.
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 6.1% of annual covered payroll.

Actuarial Information for the Above Plan

Annual required contribution	$ 396,576
Interest on net pension obligation	3,316
Adjustment to annual required contribution	(4,709)
Annual pension cost	395,183
Contributions made	398,980
Interest on actual employer contributions	(15,300)
Decrease in net pension obligation	(19,097)
Net pension obligation, beginning of year	44,214
Net pension obligation, end of year	$ 25,117

Contribution rates:	
Hospital	6.1%
Plan members	-
Actuarial valuation date	January 1, 2008
Actuarial cost method	Entry age normal cost
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
12-31-05	$ 326,145	89.7%	$ 77,721
12-31-06	366,766	104.8%	44,214
12-31-07	395,183	104.8%	25,117

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)
01-01-06	$ 5,624,868	$ 5,799,030	$ (174,162)	97%	$ 6,345,765	(3%)
01-01-07	6,108,008	6,249,428	(141,420)	98%	6,713,624	(2%)
01-01-08	6,806,883	7,788,932	(982,049)	87%	7,053,058	(14%)

JAY COUNTY HOSPITAL
AUDIT RESULT AND COMMENT

GOVERNING BODY POLICY

The Hospital has a policy concerning disposal of capital assets which states: "On occasion during the normal course of operating a hospital, capital equipment may be required to be moved permanently from one location within the facility to another or removed permanently from the facility through disposal, sale, or trade-in. To properly maintain a control over the accounting for the capital equipment of the facility, these actions must be documented and approved by authorized individuals." The policy goes on to state: "To facilitate this documentation and approval process a Capital Equipment Disposal Request (CEDR) form should be initiated by the department manager wishing to make the capital move. In addition to documenting the description of the equipment, its current location (department, area, etc.), original purchase date (if known), and purchase price (if known), one of the following four (4) classifications should be utilized when submitting the CEDR form: transfer, disposal, sale, or trade-in." In 2008, a physical inventory of capital assets was taken and assets which had been previously disposed of, sold or used as a trade-in, but remaining on the capital asset record, were written off. The 213 assets written off totaled $782,496, were fully depreciated except for $17,917 and ranged in cost from $182,866 to $22. Nothing was presented for audit showing that a CEDR form had been completed when any of the assets were initially removed from the facility.

The hospital is responsible for complying with the decisions of the governing board as evidenced in the board minutes or other written memoranda. (Accounting and Uniform Compliance Guidelines Manual for County and City Hospitals, Chapter 9)

JAY COUNTY HOSPITAL
EXIT CONFERENCE

The contents of this report were discussed on March 31, 2009, with Don Michael, Treasurer; R. Joe Johnston, Executive Director; and David Littler, Chairman of the Hospital Board. The officials concurred with our audit finding.