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

FINANCIAL REPORT

June 30, 2018

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Jefferson County Hospital d/b/a Jefferson County Health Center OFFICIALS June 30, 2018

BOARD OF TRUSTEES Expiration of term Officers Renee Rebling, Chair December 31, 2022 Bob Keller, Vice Chair December 31, 2022 December 31, 2020 Merlin Miller, Secretary/Treasurer Members Julie Greeson December 31, 2020 **Greg Hanshaw** December 31, 2018 Trent Hammes December 31, 2018 Joneane Parker December 31, 2020

CHIEF EXECUTIVE OFFICER

Bryan Hunger

CHIEF FINANCIAL OFFICER

Larry Peach



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees Jefferson County Hospital d/b/a Jefferson County Health Center Fairfield, Iowa

We have audited the accompanying financial statements of Jefferson County Hospital d/b/a Jefferson County Health Center, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson County Hospital d/b/a Jefferson County Health Center, as of June 30, 2018 and 2017, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 20 to the financial statements, in 2018 the Hospital adopted new accounting guidance related to Governmental Accounting Standards Board Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to that matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule of revenues, expenses and changes in net position, budget and actual, the schedule of changes in the Hospital's net OPEB liability, related ratios and notes, the schedule of the Hospital's proportionate share of the net position liability, and the schedule of Hospital pension contributions and notes on pages 6-12, and 37 through 43, 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 November 2, 2018, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Denman & Company, & 2P DENMAN & COMPANY, LLP

West Des Moines, Iowa November 2, 2018

JEFFERSON COUNTY HOSPITAL d/b/a JEFFERSON COUNTY HEALTH CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Jefferson County Health Center, we offer readers of the Jefferson County Health Center's financial statements this narrative overview and analysis of the financial performance of our Hospital during the fiscal years ended June 30, 2018, 2017 and 2016. Please read it in conjunction with the financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditor's report, the basic financial statements and supplementary information of Jefferson County Health Center. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of Jefferson County Health Center report information of the Hospital using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The statement of net position includes all of Jefferson County Health Center's assets, liabilities, deferred outflows and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and the obligations to Jefferson County Health Center's creditors (liabilities). It also provides the basis for evaluating the capital structure of Jefferson County Health Center and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of Jefferson County Health Center's operations over the past year and can be used to determine whether Jefferson County Health Center has successfully recovered all its costs through its patient service revenue and other revenue sources, profitability and credit worthiness.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL HIGHLIGHTS

- Total assets decreased by \$3,044,626 from FY 2017 to \$61,414,874, following an increase in FY 2017 of \$291,297.
- Capital assets decreased from FY 2017 by \$2,325,544, following an increase of \$4,613,011 in FY 2017.
- Total debt decreased from FY 2017 by \$2,673,578, following a decrease of \$1,892,342 in FY 2017.
- Net position decreased in FY 2018 by \$1,927,775 and increased by \$857,973 in FY 2017.
- Net patient service revenue decreased from FY 2017 by \$808,568. This followed an increase in FY 2017 of \$3,395,177.
- Expenses increased from FY 2017 by \$3,089,357 or 7%. This is due mainly to increased services relating to EPIC on-going support costs, OR supply costs, IPERS adjustment, and Depreciation expense.
- Total margin for FY 2018 was (-4%) while FY 2017 was 2%.

FINANCIAL ANALYSIS OF THE HOSPITAL

The statement of net position and the statement of revenues, expenses, and changes in net position report the net position of Jefferson County Health Center and the changes in them. Jefferson County Health Center's net position is a way to measure financial health or financial position. Over time, sustained increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth and new or changed governmental legislation should also be considered.

NET ASSETS

A summary of the Hospital's statements of net position at June 30, 2018, 2017 and 2016, are presented in Table 1 below.

Table 1
Condensed Statements of Net Position

	June 30,	June 30,	June 30,
	2018	2017	2016
Current and other assets Capital assets Total assets	\$26,206,679	\$26,925,761	\$31,247,475
	<u>35,208,195</u>	37,533,739	32,920,728
	<u>61,414,874</u>	64,459,500	64,168,203
Deferred outflows of resources	<u>6,517,113</u>	5,440,289	3,236,142
Long-term debt outstanding	27,794,080	30,467,658	32,360,000
Other liabilities	18,044,126	15,579,978	11,715,032
Total liabilities	45,838,206	46,047,636	44,075,032
Deferred inflows of resources	<u>1,455,376</u>	1,161,555	1,496,688
Total net position	\$ <u>20,638,405</u>	\$ <u>22,690,598</u>	\$ <u>21,832,625</u>

REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The following table presents a summary of the Jefferson County Health Center's historical revenues and expenses for each of the fiscal years ended June 30, 2018, 2017 and 2016.

Table 2

Condensed Statements of Revenue, Expenses, and Changes in Net Position

	Year ended June 30		
	2018	2017	2016
Total revenue Expenses Operating income	\$44,322,633	\$44,380,371	\$40,753,191
	<u>46,732,534</u>	<u>43,643,177</u>	<u>39,609,391</u>
	(2,409,901)	737,194	1,143,800
Non-operating gains (losses) Excess of revenues over expenses	436,906	79,515	<u>(558,959)</u>
	(1,972,995)	816,709	584,841
Other changes in net position-contributions Total net position, beginning	45,220	41,264	60,920
	22,566,180	21,832,625	21,186,864
Total net position, ending	\$20,638,405	\$22,690,598	\$ <u>21,832,625</u>

Operating and Financial Performance

Volume: Acute inpatient admissions for fiscal year 2018 were 426 compared to 480 in fiscal year 2017. Acute patient days decreased by (12.8%) compared to FY 2017 because of the decreased admissions. Swing bed admissions fiscal year 2018 were 181 compared to 218 in fiscal year 2017. Swing bed patient days decreased by (21.4%) due to the decrease in admissions. Outpatient visits decreased by .1% to 134,667 visits in FY 2018. Operating room procedures were 15.4% below FY 2017's level due mainly to losing a contracted Orthopedic surgeon midway through the fiscal year. Outpatient surgeries were just (5) procedures or (.5%) above prior year levels. Scopes were down 75 or (10.8%) from the FY 2017 totals. Inpatient procedures were down 37 or (29.6%) from FY 2017 totals. Total operating room procedures in FY 2018 were 1,170 surgeries compared to 1,383 in FY 2017 with 90% of the surgeries being outpatient procedures.

Net Patient Service Revenue: Because of a decrease in patient volumes, net patient service revenues decreased by \$808,568 or -2% compared to fiscal year 2017. During the fiscal year, Jefferson County Health Center's contractual allowances (the difference between billed charges and paid charges from third party payors) decreased by \$3,648,569 or (11%) over FY 2017. The decrease resulted from a decrease in inpatient and outpatient activity.

The following table presents the relative percentages of gross charges for patient services by payor for the years ended June 30, 2018, 2017 and 2016.

Table 3
Payor Mix by Percentage

	Year ended June 30		
	2018	2017	2016
Medicare	53%	52%	51%
Wellmark	21%	20%	20%
Other Commercial Insurance	9%	10%	12%
Medicaid	16%	16%	15%
All other	<u>_1</u> %	2%	<u>2</u> %
Total	<u>100</u> %	<u>100</u> %	<u>100</u> %

Significant changes in operations from FY 2018:

Outpatient Revenue: There was an (4%) or \$2,414,243 decrease in outpatient revenue in FY 2018 compared to FY 2017.

Salaries and Employee Benefits: FY 2018 showed a 10%, or \$2,256,786 increase in salary and employee benefit expenses compared to FY 2017. The primary reason for the increase is the IPERS adjustment.

Interest and Depreciation Expense: Interest expense decreased by \$204,735 from FY 2017. Depreciation expense increased by \$414,677 from FY 2017 levels due to increased equipment purchases.

CAPITAL ASSETS

At the end of fiscal year 2018, the Jefferson County Health Center has invested \$35,208,195 in capital assets. The decrease in capital assets is due to depreciation expense exceeding capital asset additions in FY 2018.

The following table summarizes Jefferson County Health Center's capital assets as of June 30, 2018, 2017 and 2016.

Table 4 Capital Assets (in Thousands)

	June 30, 2018	June 30, 2017	June 30, 2016
Land	\$ 1,168.3	\$ 1,168.3	\$ 1,168.3
Land improvements	2,549.1	2,297.8	2,292.2
Buildings	42,655.5	36,522.1	36,522.1
Major moveable equipment	18,664.6	17,545.6	13,578.2
Intangibles	986.0	986.0	986.0
Construction in progress	<u>59.8</u>	<u>5,901.7</u>	1,689.0
Subtotal	66,083.3	64,421.5	56,235.8
Less accumulated depreciation	(30,875.1)	<u>(26,887.7)</u>	(<u>23,315.0</u>)
Capital assets, net	\$ <u>35,208.2</u>	\$ <u>37,533.8</u>	\$32,920.8

DEBT ADMINISTRATION

Long-Term Debt

At year-end, Jefferson County Health Center had \$27,794,080 in long-term debt related to financing for a replacement facility and a capital lease. This has decreased from \$2,673,578 in fiscal year 2017. More detailed information about Jefferson County Health Center's outstanding debt is presented in the Notes to the Financial Statements. Note that total long term debt represents 134% of Jefferson County Health Center's equity as of year-end.

Deferred Outflows and Inflows of Resources

As of June 30, 2018, the Health Center reported \$6,517,113 of deferred outflows of resources and \$1,455,376 of deferred inflows of resources. The Notes to the Financial Statements provide more detail regarding the nature and components of the deferred outflows and inflows of resources.

PERFORMANCE COMPARED TO BUDGET

Net patient services revenues were 10% under budget for the fiscal year ended June 30, 2018. This was due to a decreased in patient activity.

Other operating revenue was approximately \$468,500 over budget due mainly to more than expected pharmacy 340 (b) program revenue.

Operating expenses were approximately \$2,363,000 or 5% under budget for the year.

The following table compares fiscal year 2018 actual to budget information. **Table 5 Budget vs. Actual**(In Thousands)

	FY 2018 Budget	FY 2018 Actual
Gross patient service revenue Contractual adjustments and charity care Net patient service revenue	\$80,155.6 <u>32,800.0</u> 47,355.6	\$72,826.1 <u>30,277.9</u> 42,548.2
Other operating revenue Total operating revenue	<u>1,305.9</u> <u>48,661.5</u>	<u>1,774.4</u> 44,322.6
Operating expenses Operating income	49,095.6 (434.1)	46,732.5 (2,409.9)
Income from investments Other non-operating gains (losses)	207.0 888.8	437.5 (.6)
Excess (deficiency) of revenue over expenses	\$ <u>661.7</u>	\$ <u>(1,973.0</u>)

ECONOMIC AND OTHER FACTORS AND NEXT YEAR'S BUDGET

Jefferson County Health Center's Board and management considered many factors when setting the fiscal year 2019 budget. Of primary importance in setting the 2019 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Medicare and Medicaid reimbursement rates
- Reimbursement rates of other payors especially Wellmark Blue Cross, which is a significant payor
- Cost of supplies including escalating drug costs
- Workforce shortages especially among nursing and impact on salary costs
- Regulatory changes including healthcare reform
- Facility expansion and growth in demand for services and the need to make significant capital improvements to aging plant and equipment
- Physician recruitment, especially family practice physicians
- Cost associated with maintaining information technology systems in the Hospital especially electronic medical record systems required by the Federal government.

Contacting the Hospital's Finance Department

The Hospital's financial statements are designed to present users with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability. If you have questions about the report or need additional financial information, please contact the finance department at Jefferson County Health Center; 2000 S. Main; Fairfield, Iowa 52556. Phone number 641-472-4111.

Jefferson County Hospital d/b/a Jefferson County Health Center STATEMENTS OF NET POSITION

	June 30	
	2018	2017
		(Not restated)
CURRENT ASSETS		
Cash	\$ 9,768,420	\$11,413,450
Assets whose use is limited, required for current liabilities	1,692,530	1,687,322
Patient receivables, less allowance for contractual		
adjustments and uncollectibles 2018 \$3,862,132; 2017 \$4,144,397	8,016,094	9,158,810
Other receivables	62,313	151,998
Estimated third-party payor settlements	1,700,000	
Inventories	1,042,176	982,135
Prepaid expenses	539,319	484,575
Succeeding year property tax receivable	1,055,000	1,023,000
Total current assets	23,875,852	24,901,290
ASSETS WHOSE USE IS LIMITED		
Restricted by bond indenture agreement		
Cash and cash equivalents	1,692,530	1,687,322
Restricted by donors for specific purposes	1,692,530	1,007,322
Cash and cash equivalents	325,085	314,197
Total assets whose use is limited	2,017,615	2,001,519
Total assets whose use is littliked	2,017,013	2,001,319
Less assets whose use is limited, required for current liabilities	1,692,530	1,687,322
Noncurrent assets whose use is limited	325,085	314,197
	1837 (42-07-77-06-96)	MATERIAL PROGRAM
CAPITAL ASSETS	66,083,318	64,421,466
Less accumulated depreciation	<u>30,875,123</u>	26,887,727
Total capital assets	<u>35,208,195</u>	37,533,739
OTHER ASSETS		
Other receivables	1,230,455	821,322
Investment in joint ventures	775,287	888,952
Total other assets	2,005,742	1,710,274
Total Other assets	2,000,142	1,710,274
Total assets	61,414,874	64,459,500
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	6,508,197	5,440,289
OPEB related deferred outflows	8,916	-
Total deferred outflows of resources	6,517,113	5,440,289
	- 315	

	Jun	ie 30
	2018	2017 (Not restated)
CURRENT LIABILITIES		,
Current maturities of long-term debt Accounts payable	\$ 2,750,760	\$ 2,680,129
Trade	1,988,810	935,895
Construction	i, - ;	181,578
Accrued employee compensation	1,601,914	1,375,889
Payroll taxes and withholdings	376,830	172,910
Accrued interest	269,552	304,201
Estimated third-party payor settlements		_1,000,000
Total current liabilities	6,987,866	6,650,602
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	25,043,320	27,787,529
Net pension liability	13,807,020	11,609,505
Total long-term liabilities	38,850,340	39,397,034
	77.7	321307133
Total liabilities	45,838,206	46,047,636
DEFERRED INFLOWS OF RESOURCES		
Unavailable property tax revenue	1,055,000	1,023,000
Net OPEB liability	136,540	-
Pension related deferred inflows	263,836	138,555
Total deferred inflows of resources	1,455,376	1,161,555
NET POSITION		
Net investment in capital assets	7,414,115	7,066,081
Restricted	7,414,115	7,000,001
By bond indenture agreement	1,692,530	1,687,322
For specific purpose by donors	325,085	314,197
Unrestricted	11,206,675	13,622,998
OTHOGRADIO	11,200,010	1010221000
Total net position	\$20,638,405	\$22,690,598
•	· ·	

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

	Year end	ed June 30
	2018	2017
NET DATIENT CERVICE REVENUE - of of provision		(Not restated)
NET PATIENT SERVICE REVENUE, net of provision for bad debts 2018 \$826,629; 2017 \$885,514	\$42,548,242	\$43,356,810
101 bad debts 2010 \$020,029, 2017 \$000,014	Ψ+2,0+0,2+2	ψ+0,000,010
OTHER REVENUE	1,774,391	1,023,561
Total revenue	44,322,633	44,380,371
EXPENSES		
Nursing service	7,723,858	7,216,288
Other professional service	21,681,541	21,521,925
General service	2,793,271	2,594,381
Fiscal and administrative service and unassigned expenses	10,546,468	8,737,864
Provision for depreciation	3,987,396	3,572,719
Total expenses	46,732,534	43,643,177
Operating income (loss)	(2,409,901)	<u>737,194</u>
NONOPERATING GAINS (LOSSES)		
County taxes	831,082	838,964
Investment income	51,230	45,660
Interest and amortization expense	(835,581)	(1,040,316)
Equity in income of joint venture investments	386,335	235,207
Gain on sale of property and equipment	3,840	
Total nonoperating gains (losses)	<u>436,906</u>	<u>79,515</u>
Excess (deficiency) of revenues over expenses before contributions	(1,972,995)	816,709
CONTRIBUTIONS	45,220	41,264
Change in net position	(1,927,775)	857,973
TOTAL NET POSITION		
Beginning	22,566,180	21,832,625
Ending	\$ <u>20,638,405</u>	\$ <u>22,690,598</u>

Jefferson County Hospital d/b/a Jefferson County Health Center STATEMENTS OF CASH FLOWS

	Year end	ed June 30
	2018	2017
		(Not restated)
CASH FLOWS FROM OPERATING ACTIVITIES	* 44 000 000	* 10 001 005
Cash received from patients and third-party payors	\$41,088,880	\$42,601,965
Cash paid to suppliers for goods and services	(24,057,239)	(24,605,108)
Cash paid to employees for services	(15,918,781)	(15,492,684)
Other operating revenue received	<u>1,215,466</u>	<u>351,036</u>
Net cash provided by operating activities	2,328,326	2,855,209
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes received	829,688	838,742
Net cash provided by noncapital financing activities	829,688	838,742
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets and construction in progress	(1,843,430)	(7,245,103)
Principal payments on long-term debt	(2,680,129)	(33,300,487)
Proceeds from sale of capital assets	3,840	-
Proceeds on issuance of long-term debt	-	30,434,145
Interest paid on long-term debt	(863,679)	(1,331,636)
Contributions restricted for purchase of capital assets	45,220	41,264
Net cash (used in) capital and related financing activities	(5,338,178)	(<u>11,401,817</u>)
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from investments in joint ventures	500,000	300,000
Investment income received	51,230	45,660
Net cash provided by investing activities	551,230	345,660
Net cash provided by hivesting activities		
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,628,934)	(7,362,206)
CASH AND CASH EQUIVALENTS		
Beginning	13,414,969	20,777,175
Ending	\$ <u>11,786,035</u>	\$ <u>13,414,969</u>

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

	Year ended June 30	
	2018	2017
RECONCILIATION OF OPERATING INCOME TO NET CASH		(Not restated)
PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ (2,409,901)	\$ 737,194
Adjustments to reconcile operating income to		•
net cash provided by operating activities		
Provision for depreciation	3,987,396	3,572,719
Change in assets, liabilities, deferred outflows and deferred inflows		
Patient receivables	1,142,716	(2,702,767)
Other receivables, net of noncapital financing activities	(350,054)	(574,603)
Inventories	(60,041)	(600,773)
Prepaid expenses	(54,744)	(76,920)
Deferred outflows of resources	(1,067,908)	(2,204,147)
Accounts payable, net of capital assets payable	1,052,915	(250,510)
Accrued employee compensation	226,025	212,625
Payroll taxes and withholdings	203,920	(143,131)
Net estimated third-party payor settlements	(2,700,000)	1,850,000
Net pension liability	2,197,515	3,370,655
Deferred inflows of resources	157,281	(335,133)
Net OPEB liability	12,122	==
OPEB related deferred outflows	(8,916)	-
Net cash provided by operating activities	\$ <u>2,328,326</u>	\$ <u>2,855,209</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER		
STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION		
Per statement of net position		
Current assets	\$ 9,768,420	\$11,413,450
Assets whose use is limited	Ψ 0,1 00,120	ψ11,110,100
Restricted by bond indenture agreement	1,692,530	1,687,322
Restricted by donors for specific purpose	325,085	314,197
, access and participants		011,101
Total per statement of cash flows	\$ <u>11,786,035</u>	\$ <u>13,414,969</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL		
AND RELATED FINANCING ACTIVITIES		
Acquisition of equipment through capital lease	\$ <u>-</u> _	\$ <u>974,000</u>

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The Hospital is a county public hospital organized under Chapter 347, Code of Iowa, not subject to taxes on income or property, and receives tax support from Jefferson County, which is governed by a seven member Board of Trustees.

Reporting Entity

For financial reporting purposes, Jefferson County Hospital d/b/a Jefferson County Health Center has included all funds, organizations, agencies, boards, commissions and authorities that are not legally separate. The Hospital 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 Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Hospital. These criteria also include organizations that are fiscally dependent on the Hospital. Jefferson County Hospital has no material component units which meet the Governmental Accounting Standards Board criteria.

Measurement Focus and Basis of Accounting

The Hospital is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Hospital is better or worse off economically as a result of events and transactions of the period.

The financial statements have been prepared in accordance with accounting principles which are applicable to health care proprietary funds of a governmental entity. The Hospital uses the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Accounting Standards

The Hospital has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Cash and Cash Equivalents

For the purpose of reporting the statement of cash flows the Hospital considers all cash accounts and mutual funds to be cash equivalents.

Electronic Health Record Incentive Payments

The Hospital has received payments from the Medicare and Medicaid programs under the Electronic Health Records (EHR) Incentive Program. To qualify for EHR incentive payments, the Hospital must meet designated EHR meaningful use criteria. These incentive payments are reported in other revenue in the financial statements.

Intangibles

Intangibles acquired in connection with a medical clinic, are being amortized over a ten year period using the straight-line method.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and Investment Income

The Hospital's investments and the methods used in determining the reported amounts are as follows:

<u>Type</u> <u>Method</u>

Open-end mutual funds Mutual Funds

Fair value determined by current share price

Investments in certain partnerships are accounted for using the equity method under which the net income of the partnerships is recognized as investment income and added to the investment account.

Investment income includes interest income and the net increase (decrease) in the fair value of investments, investment income is reported as nonoperating gains.

Inventories

Inventories are stated at cost, based on the first-in, first-out method.

Capital Assets

Capital asset acquisitions are recorded at cost. Capital assets donated for Hospital operations are recorded at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method using these asset lives:

Land improvements 5 to 25 years
Buildings 5 to 40 years
Equipment 3 to 20 years

Property Tax Receivable

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statement of net position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Net Position

Net position is presented in the following components:

Net investment in capital assets

Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of the revenue bonds payable and capital lease that are attributable to the acquisition, construction, or improvement of those assets.

Restricted

Restricted net position consists of funds on which constraints have been externally imposed by creditors (such as through debt covenants) grantors or contributors, or laws or regulations of other governments.

Unrestricted

Unrestricted net position has no externally imposed restrictions on use.

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

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

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.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2018, disbursements did not exceed the amount budgeted.

Statements of Revenues, Expenses, and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses. Operating expenses are all expenses incurred to provide health care services.

Costs of Borrowing

Costs of borrowing are expensed in the year incurred.

Credit Policy

The Hospital grants credit to patients, substantially all of whom are county residents.

Accounting Estimates and Assumptions

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

Reclassifications

Certain reclassifications have been made to the 2017 financial statements in order to conform to the 2018 presentation with no effect on the change in net position.

NOTE 2 CASH AND INVESTMENTS

The Hospital's deposits in banks at June 30, 2018 and 2017 were covered by federal depository insurance, or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Hospital is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTE 2 CASH AND INVESTMENTS (continued)

The mutual fund investments are uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the Hospital's name. The investments listed below are subject to custodial credit risk. The Hospital does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates (interest rate risk).

The Hospital's investments at June 30, 2018 are as follows:

	Maturities	<u>Fair value</u>
Mutual funds	Daily	\$ <u>325,085</u>

The Hospital uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The fair value measurements for the Mutual Funds were determined using the quoted prices in active markets. (Level 1 inputs)

The Hospital had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

The primary objectives of the Hospital's investment policy include the safety and preservation of principal in the overall investment portfolio, the maintenance of necessary liquidity to match expected liabilities, and obtaining a reasonable return. Funds not identified as operating funds may be invested in investments with maturities longer than three hundred ninety-seven days, provided that the maturities shall be consistent with the needs and use of the Hospital.

NOTE 3 PATIENT RECEIVABLES

Patient accounts receivable reported as current assets consisted of these amounts:

,	June 30	
	2018	2017
Receivable from patients	\$ 2,917,682	\$ 3,108,091
Receivable from insurance carriers	3,276,613	3,483,515
Receivable from Medicare	4,412,289	4,979,135
Receivable from Medicaid	1,271,642	1.732,466
Total patient receivables	11,878,226	13,303,207
Less allowances for contractual and other adjustments	(3,862,132)	(4,144,397)
Totals	\$_8,016,094	\$ <u>9,158,810</u>

NOTE 4 ASSETS RESTRICTED BY BOND INDENTURE AGREEMENT

Assets restricted by the bond indenture agreement include funds that are required to be funded under the terms of the agreement. The current agreement requires the maintenance of a "Bond Sinking Fund". There are provisions outlined in the agreement regarding deposit requirements in the various funds. Following are the changes in these funds for the year ended June 30, 2018:

Bond

	Sinking Fund
BALANCE, beginning	\$1,687,322
Deposits	3,331,750
Investment income	6,540
Fees	(16)
Principal payments	(2,495,000)
Interest payments	(838,066)
BALANCE, ending	\$ <u>1,692,530</u>

NOTE 5 NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare and Medicaid

The Hospital is designated as a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. The lowa Medicaid Program has transitioned management of the program to managed care organizations. The Hospital will negotiate Medicaid payment rates with the managed care organizations. The Hospital's classification of patients under the programs and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2016.

Other

The Hospital has also entered into payment agreements with Wellmark and other certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge and discounts from established charges.

NOTE 6 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2018 and 2017 follows:

	Balance July 1, 	_Additions	_Deletions_	<u>Transfers</u>	Balance June 30, 2018
Land Land improvements Buildings Equipment Intangibles Construction and equipment	\$ 1,168,335 2,297,758 36,522,099 17,545,605 985,998	\$ - - - 683,927 -	\$ - - - - -	\$ — 251,339 6,133,359 435,115	\$ 1,168,335 2,549,097 42,655,458 18,664,647 985,998
installations in progress Totals Less accumulated depreciation	<u>5,901,671</u> 64,421,466	997,874 1,681,801	<u>(19,949)</u> (19,949)	(<u>6,819,813</u>) –	<u>59,783</u> 66,083,318
and amortization	(26,887,727)	(3,987,396)			(30,875,123)
Net capital assets	\$ <u>37,533,739</u>	\$(<u>2,305,595</u>)	\$ <u>(19,949</u>)	\$	\$ <u>35,208,195</u>
	Balance July 1, 2016	_Additions_		_Transfers	Balance June 30, 2017
Land Land improvements Buildings Equipment Intangibles	July 1,	Additions \$ 1,342,051	Deletions	Transfers \$ - 5,552 - 2,625,393	June 30,
Land improvements Buildings Equipment	July 1, 2016 \$ 1,168,335 2,292,206 36,522,099 13,578,161	\$ <u>-</u> -		\$ – 5,552	June 30, 2017 \$ 1,168,335 2,297,758 36,522,099 17,545,605

Construction and equipment installation in progress at June 30, 2018 consisted of costs incurred for computer equipment and furniture.

NOTE 7 LONG TERM DEBT

The Board of Trustees of the Jefferson County Hospital adopted a resolution authorizing the issuance of revenue bonds to provide financing for the constructing and equipping a replacement hospital for the Jefferson County Hospital and constructing and equipping and improving medical office space located on the Hospital's campus. The bonds issued are as follows:

- Jefferson County Hospital Revenue Refunding Bonds, Series 2016A dated August 1, 2016. The bonds mature serially through August 2020. Interest is payable February 1 and August 1 each year at an annual rate of 3%. The bonds will be callable at the option of the Hospital on and after February 1, 2018 at par plus accrued interest. The balance at June 30, 2018 is \$4,275,000.
- Jefferson County Hospital Revenue Refunding Bonds, Series 2016B dated August 1, 2016. The bonds mature serially through August 2028. Interest is payable February 1 and August 1 each year at the annual rate of 3%. The bonds will be callable at the option of the Hospital on or after February 1, 2018 at par plus accrued interest. The balance at June 30, 2018 is \$18,415,000.
- Jefferson County Hospital Revenue Bonds, Series 2017 dated January 3, 2017. The bonds mature serially through August 2023, with the initial payment due August 2017. Interest is payable on February 1 and August 1 each year at annual rates ranging from 1.45% to 2.50%. Bonds maturing on or after August 1, 2020 are subject to redemption. The balance at June 30, 2018 is \$4,415,000.

The agreements also require the maintenance of certain funds during the term of the agreements (See Note 4).

The Hospital entered into a capital lease agreement related to an MRI unit. The lease is payable in monthly installments of \$17,500 including interest at approximately 3%. The lease is payable through February 2022. The balance on the agreement is \$728,384 at June 30, 2018. The agreement is collateralized by leased equipment.

As to the above Hospital Revenue Bonds, the Hospital has pledged all future revenue to pay the principal and interest. The Bonds were issued to finance capital improvements of the Hospital and to provide financing for the constructing and equipping of a replacement hospital. The revenues are pledged through August 2028. The remaining principal and interest on the obligations as of June 30, 2018 is \$31,391,663 based on the payment schedules as of June 30, 2018. The following is a comparison of the pledged revenues and the principal and interest requirements of the Bonds for the years ended June 30, 2018 and 2017:

Voor anded June 20

	iear ended June	
	2018	2017
Change in net position Provision for depreciation Interest expense IPERS and OPEB adjustments Gain on sale of property	\$(1,927,775) 3,987,396 810,710 1,258,114 (3,840)	\$ 857,973 3,572,719 973,829 619,375
Pledged revenues	\$ <u>4,124,605</u>	\$ <u>6,023,896</u>
Principal and interest requirements	\$2,531,826	\$2,536,650

In accordance with the Series 2017 bond agreement, the principal and interest requirements exclude the Series 2017 principal and interest requirements due to the capital improvements not being placed in service until the year ended June 30, 2018.

NOTE 7 LONG TERM DEBT (continued)

Principal and interest maturities of long-term debt at June 30, 2018 are summarized as follows:

Year ending June 30	Principal_	Interest	Total
2019	\$ 2,750,760	\$ 782,338	\$ 3,533,098
2020	2,831,562	707,128	3,538,690
2021	2,912,540	627,694	3,540,234
2022	2,928,522	544,429	3,472,951
2023	2,865,000	462,145	3,327,145
2024-2028	12,295,000	1,185,795	13,480,795
2029	1,250,000	18,750	1,268,750
Total	27,833,384	4,328,279	32,161,663
Less current maturities	2,750,760	782,338	3,533,098
Less discount	39,304		
Total long-term debt	\$ <u>25,043,320</u>	\$ <u>3,545,941</u>	\$ <u>28,628,565</u>

A summary of changes in long-term debt for the year ended June 30, 2018 follows:

	Beginning _balance	Additions	Principal payments	Ending balance	Amounts due within one year
Hospital Revenue Bonds (Series 2016A) Hospital Revenue Bonds (Series 2016B) Hospital Revenue Bonds (Series 2017) Capital lease payable	\$ 6,090,000 18,415,000 5,095,000 913,513	\$ 	\$1,815,000 680,000 	\$ 4,275,000 18,415,000 4,415,000 	\$1,865,000 - 695,000
Totals	\$ <u>30,513,513</u>	\$	\$ <u>2,680,129</u>	\$ <u>27,833,384</u>	\$ <u>2,750,760</u>

A summary of changes in long-term debt for the year ended June 30, 2017 follows:

Hospital Revenue Refunding	Beginning balance	Additions	Principalpayments	Ending balance	Amounts due within one year
Bonds (Series 2007B)	\$ 7,780,000	\$ -	\$ 7,780,000	\$ -	\$ -
Hospital Revenue Bonds (Series 2007C)	24,580,000	-	24,580,000	-	ş=2
Hospital Revenue Bonds (Series 2016A)	_	6,970,000	880,000	6,090,000	1,815,000
Hospital Revenue Bonds (Series 2016B)	_	18,415,000	-	18,415,000	_
Hospital Revenue Bonds (Series 2017)	-	5,095,000	0=0	5,095,000	680,000
Capital lease payable		974,000	60,487	913,513	<u> 185,129</u>
Totals	\$32,360,000	\$ <u>31,454,000</u>	\$33,300,487	\$30,513,513	\$ <u>2,680,129</u>

NOTE 8 CONTINGENCIES

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

The Hospital is from time to time subject to claims and suits alleging malpractice. In the opinion of management, the ultimate cost, if any, related to the resolution of such pending legal proceedings will be within the limits of insurance coverage and, accordingly, will not have a significant effect on the financial position or the results of operations of the Hospital.

Incidents occurring through June 30, 2018 may result in the assertion of additional claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 9 PENSION PLAN

Plan Description

IPERS is a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System. Membership is mandatory for employees of the Hospital, except for those covered by another retirement system. IPERS issues a stand-along financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS' benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

NOTE 9 PENSION PLAN (continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal years 2018 and 2017, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Hospital contributed 8.93 percent for a total rate of 14.88 percent.

The Hospital's contributions to IPERS for the years ended June 30, 2018 and 2017 were \$1,501,180 and \$1,385,836, respectively.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions

At June 30, 2018 and 2017, the Hospital reported a liability of \$13,807,020 and \$11,609,505, respectively, for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the Hospital's proportionate share:

	ment Date ne 30	
2017	2016	Change
0.207273%	0.184474%	0.022799%

NOTE 9 PENSION PLAN (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions (continued)

For the years ended June 30, 2018 and 2017, the Hospital recognized pension expense of \$2,832,411 and \$2,005,211, respectively. At June 30, 2018 and 2017, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018 Totals		2017 Totals	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 126,762	\$ 119,627	\$ 102,605	\$ 138,555
Change in assumptions	2,399,023	_	177,125	_
Net difference between projected and actual earnings on pension plan investments	_	144,209	1,653,988	_
Change in proportion and difference between Hospital contributions and proportionate share of contributions	2,481,232	-	2,120,735	-
Hospital contributions subsequent to the measurement date	<u>1,501,180</u>		<u>1,385,836</u>	
Totals	\$ <u>6,508,197</u>	\$ <u>263,836</u>	\$ <u>5,440,289</u>	\$ <u>138,555</u>

\$1,501,180 reported as deferred outflows of resources related to pensions resulting from the Hospital contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Total
2019	\$1,187,333
2020	1,826,895
2021	1,133,366
2022	363,617
2023	231,970
Totals	\$ <u>4,743,181</u>

There were no non-employer contributing entities at IPERS.

NOTE 9 PENSION PLAN (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation

2.60% per annum

3.25% to 16.25% average, including inflation

Wage Growth Rate

3.25% per annum, based on 2.6% inflation and 0.65% real wage inflation

Long-term investment rate of return

7% compounded annually, net of investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Tables for Males or Females with adjustments for mortality improvements based on Projection Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Long-Torm

Asset Class	Asset Allocation	Expected Real Rate of Return
Core Plus Fixed Income	27%	2.25%
Domestic Equity	24	6.25
International Equity	16	6.71
Private Equity	11	11.15
Private credit	3	4.25
Public real assets	7	3.27
Public credit	4	3.46
Private real assets	7	4.18
Cash	_1	(0.31)
Total	<u>100</u> %	

NOTE 9 PENSION PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Hospital will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Hospital's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate.

	1%	Discount	1%
	Decrease	Rate	Increase
	(6%)	(7%)	<u>(8%)</u>
Health Center's proportionate share of the net pension liability	\$ <u>22,748,429</u>	\$ <u>13,807,020</u>	\$ <u>6,294,518</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

At June 30, 2018 and 2017, the Hospital reported payables to the defined benefit pension plan of \$57,276 and \$50,163, respectively, for legally required employer contributions and \$-0- and \$-0-, respectively, for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 10 CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2018 and 2017.

	2018	2017
Charges foregone, based on established rates	\$ <u>489,736</u>	\$ <u>196,694</u>
Equivalent percentage of charity care patients to all patients served	0.7%	0.3%

NOTE 11 EMPLOYEE BENEFITS

The Hospital has developed a self-insured health insurance program for all employees. Claims for health care services for employees and their families are accrued when incurred. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$65,000 per person, with an aggregate stop-loss provision for the plan as a whole of approximately \$2,400,000. Total expense, which includes claims, administration fees, and stop-loss insurance, under this self-insurance program for the years ended June 30, 2018 and 2017 was \$2,119,725 and \$1,859,792, respectively.

NOTE 12 HOSPITAL RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Hospital assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 13 ROBERT A. RYAN, M.D. ENDOWED SCHOLARSHIP FUND

This fund was established through a donation received from Robert A. Ryan, M.D. The investment is to be maintained in perpetuity and the income only to be used for a nursing scholarship for a member of the senior class graduating from Fairfield High School, Fairfield, Iowa or from another high school in the area. At June 30, 2018 and 2017, the balance of the fund was being maintained in mutual funds with a total balance of \$67,364 and \$65,497, respectively.

NOTE 14 CLINKINBEARD EDUCATION FUND

This fund was established through a donation, with the investment maintained in a mutual fund. The fund is to be used for employees furthering their education. As of June 30, 2018 and 2017, the balance of the fund was \$257,721 and \$248,700, respectively.

NOTE 15 INVESTMENT IN JOINT VENTURES

The Hospital has varying interests in several joint ventures engaged in providing various health care services. The investments are accounted for using the equity method. The Hospital has recorded its share of the joint ventures' income of \$386,335 in 2018 and \$235,207 in 2017.

NOTE 16 ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS

The Hospital has met the EHR meaningful use criteria and has received payments from the Medicare and Medicaid programs. Payments received and included in other revenue total \$141,669 and \$92,830 for the years ended June 30, 2018 and 2017, respectively.

NOTE 17 OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The Hospital administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

Individuals who are employed by the Hospital and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments Active employees	1 _199
Total	_200

Net OPEB Liability

The Hospital's Net OPEB liability of \$136,540 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

The Net OPEB liability as of June 30, 2018 was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	2.60% per year
Rates of salary increase	3.25% per year
Discount rate	3.87% per annum
Healthcare cost trend rate	8.00% per vear

The discount rate used to measure the Net OPEB liability was 3.87% which reflects the index rate for 20-year taxexempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates were based on the RP-2014 annuitant distinct mortality table adjusted to 2017 with MP 2017 generational projection of future mortality improvement.

The future retiree participation rate was assumed to be 5% and the initial spouse participation rate was assumed to be 30% for males and females.

NOTE 17 OTHER POST EMPLOYMENT BENEFITS (continued)

Changes in Net OPEB Liability

	Net OPEB <u>Liability</u>	
Net OPEB liability, July 1, 2017, as restated Changes for the year	\$ 124,418	
Service cost	8,439	
Interest on the Net OPEB liability Changes in benefit terms	4,551	
Differences between expected and actual experience	(2,494)	
Changes in assumptions or other inputs	13,193	
Benefit payments	(11,567)	
Net OPEB liability, June 30, 2018	\$ <u>136,540</u>	

Changes in assumptions or other inputs includes a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the Hospital's Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability of the Hospital, as well as what the Hospital's Net OPEB liability would be if it were calculated using a discount rate that is 1% lower, 2.87%, or 1% higher, 4.87%, than the current discount rate.

	1%	Discount	1%
	Decrease	Rate	Increase
	<u>2.87%</u>	3.87%	<u>4.87%</u>
Hospital's Net OPEB liability	\$ <u>145,193</u>	\$ <u>136,540</u>	\$ <u>128,101</u>

Sensitivity of the Hospital's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Net OPEB liability of the Hospital, as well as what the Hospital's Net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower, 7% or 1% higher, 9% than the current healthcare cost trend rates.

	1%	Trend	1%
	Decrease	Rate	Increase
	7%	8%	<u>9%</u>
Hospital's Net OPEB liability	\$ <u>121,262</u>	\$ <u>136,540</u>	\$ <u>154,809</u>

NOTE 17 OTHER POST EMPLOYMENT BENEFITS (continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended Jun 30, 2018, the Hospital recognized OPEB expense of \$14,773. At June 30, 2018, the Hospital reported deferred outflows of resources related to OPEB from the following sources:

	Outflows of Resources
Differences between expected and actual experience Changes in assumptions or other inputs	\$ (2,078) 10,994
Total deferred outflows of resources	\$ <u>8,916</u>

The amount reported as deferred outflows of resources related to OPEB will be recognized net of OPEB expense as follows:

Year ending June 30,

2019	\$	1,783
2020	·	1,783
2021		1,783
2022		1,783
2023		1,784
Thereafter	-	
Total deferred outflows of resources	\$	8.916

NOTE 18 TAX ABATEMENTS

The City of Fairfield, Iowa has entered into certain tax abatement agreements to encourage urban renewal projects in designated areas. As a result, property tax revenues available to the Health Center were reduced by \$3,286 and \$3,425 for the years ended June 30, 2018 and 2017, respectively, under the agreements entered into by the City.

NOTE 19 OTHER RECEIVABLES

The Hospital has recorded as other receivables amounts loaned to physicians. The loans are collateralized by insurance loan agreements on insurance policies owned by the physicians where the Hospital has been assigned an interest by an instrument of assignment filed with an insurance company. The loans will be repaid by proceeds of the life insurance policies in a future period which cannot be determined as of June 30, 2018.

NOTE 20 ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with other postemployment benefits, OPEB, including additional note disclosures and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows and inflows of resources which arise from events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows and inflows of resources are not reported. Beginning net position for the fiscal year ended June 30, 2018 was restated to retroactively report the change in valuation of the beginning OPEB liability, as follows:

	Net position
Net position June 30, 2017, as previously reported June 30, 2017 OPEB liability measured under previous standards June 30, 2017 OPEB liability measured under new standards	\$22,690,598 - (124,418)
Net position July 1, 2017, as restated	\$ <u>22,566,180</u>

REQUIRED SUPPLEMENTARY INFORMATION

Jefferson County Hospital d/b/a Jefferson County Health Center BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, BUDGET AND ACTUAL Year ended June 30, 2018

The following is a comparison of actual expenditures to budget:

	Reported	d amounts (GA	AP basis)			
	*General funds	Donor- restricted <u>funds</u>	Total (memorandum only)	Budget basis adjustments	Budget basis	Budget_
Amount to be raised						
by taxation	\$ 831,082	\$ -	\$ 831,082	\$ -	\$ 831,082	\$ 802,741
Other revenue/receipts	43,962,789	10,888	43,973,677	835,581	44,809,258	47,866,664
	44,793,871	10,888	44,804,759	835,581	45,640,340	48,669,405
Expenses/expenditures	46,732,534	(HC)	46,732,534	(422,533)	46,310,001	48,643,500
Net	(1,938,663)	10,888	(1,927,775)	1,258,114	(669,661)	25,905
Balance, beginning	22,251,983	314,197	22,566,180	(1,096,226)	21,469,954	23,944,257
Balance, ending	\$ <u>20,313,320</u>	\$ <u>325,085</u>	\$ <u>20,638,405</u>	\$ <u>161,888</u>	\$20,800,293	\$ <u>23,970,162</u>

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

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget for all funds following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The Hospital prepares its annual budget on a basis (budget basis) which differs from generally accepted accounting principles (GAAP basis). The major difference between budget and GAAP bases is that IPERS pension contributions are recorded on the budget basis, while IPERS pension expense and OPEB expense is recorded on the GAAP basis.

For the year ended June 30, 2018, the Hospital's expenditures did not exceed the budgeted amount.

Jefferson County Hospital d/b/a Jefferson County Health Center SCHEDULE OF CHANGES IN THE HOSPITAL'S NET OPEB LIABILITY, RELATED RATIOS AND NOTES Required Supplementary Information Year ended June 30, 2018

	_	2018
Service cost Interest cost Differences between expected and actual experience Changes in assumptions or other inputs Benefit payments Net change in Net OPEB liability	\$	8,439 4,551 (2,494) 13,193 (11,567) 12,122
Net OPEB liability, beginning of year, as restated		124,418
Net OPEB liability, end of year	\$	136,540
Covered-employee payroll	\$ <u>11</u>	1,191,026
Net OPEB liability as a percentage of covered-employee payroll		1.2%

Notes to Schedule

Changes in benefit terms

There were no significant changes in benefit terms.

Changes in assumptions or other inputs

Changes in assumptions or other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period.

Year ended June 30, 2017 3.58% Year ended June 30, 2018 3.87%

Jefferson County Hospital d/b/a Jefferson County Health Center SCHEDULE OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY lowa Public Employees' Retirement System (In Thousands) Required Supplementary Information

	Year ended June 30		
	2018	2017	2016
Hospital's proportion of the net pension liability	0.207273%	0.184474%	0.166762%
Hospital's proportionate share of the net pension liability	\$13,807	\$11,610	\$8,239
Hospital's total payroll	\$17,432	\$16,339	\$14,037
Hospital's proportionate share of the net pension liability as a percentage of its total payroll	79.21%	71.1%	58.7%
Plan fiduciary net position as a percentage of the total pension liability	82.0%	81.0%	85.0%

See accompanying notes to required supplementary information - pension liability.

Jefferson County Hospital d/b/a Jefferson County Health Center SCHEDULE OF HOSPITAL PENSION CONTRIBUTIONS lowa Public Employees' Retirement System (In Thousands) Required Supplementary Information

	Year ended June 30			
	2018	2017	2016	2015
Statutorily required contribution	\$ 1,501	\$ 1,386	\$ 1,187	\$ 1,063
Contributions in relation to the statutorily required contribution	1,501	1,386	1,187	1,063
Contribution deficiency (excess)	\$	\$	\$	\$
Hospital's total payroll	\$17,432	\$16,339	\$14,037	\$12,176
Contributions as a percentage of covered-employee payroll	8.6%	8.5%	8.5%	8.7%

2014	2013	Year ended	2011	2010	2009
\$ 841	\$ 728	\$ 647	\$ 515	\$ 468	\$ 520
841	728	647	<u>515</u>	468	520
\$	\$	\$	\$	\$	\$
\$9,554	\$8,625	\$8,068	\$7,414	\$7,316	\$8,293
8.8%	8.4%	8.0%	6.9%	6.4%	6.3%

Jefferson County Hospital d/b/a Jefferson County Health Center NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY Year ended June 30, 2018

CHANGES OF BENEFIT TERMS

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

CHANGES OF ASSUMPTIONS

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased in inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.



INDEPENDENT AUDITOR'S REPORT ON THE OTHER SUPPLEMENTARY INFORMATION

The Board of Trustees Jefferson County Hospital d/b/a Jefferson County Health Center Fairfield, Iowa

We have audited the financial statements of Jefferson County Hospital d/b/a Jefferson County Health Center as of and for the years ended June 30, 2018 and 2017, and our report thereon dated November 2, 2018, which appears on pages 4 and 5, expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The following supplementary information, which is the responsibility of management, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked "unaudited", 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it. We previously audited the years ended June 30, 2015 through 2016, and expressed unmodified opinions on those financial statements.

> Denman & Company, XXP **DENMAN & COMPANY, LLP**

West Des Moines, Iowa November 2, 2018

OTHER SUPPLEMENTARY INFORMATION

Jefferson County Hospital d/b/a Jefferson County Health Center ANALYSIS OF PATIENT RECEIVABLES

Age of accounts		nounts ine 30	Percent to total June 30		
(by date of discharge)	2018 2017		2018	2017	
 0 – 30 days (includes patients in Hospital at end of year) 31 – 60 days 61 – 90 days 	\$ 5,492,308 1,574,494 530,365	\$ 5,757,094 1,839,207 834,423	53.50% 15.34 5.17	49.61% 15.85 7.19	
Over 90 days	2,668,006	3,173,593	25.99	<u>27.35</u>	
	10,265,173	11,604,317	<u>100.00</u> %	<u>100.00</u> %	
Physician Clinics Total receivables	<u>1,613,053</u> <u>11,878,226</u>	1,698,890 13,303,207			
Allowances Contractual					
Medicare	1,769,200	1,946,900			
Medicaid and Commercial insurance Uncollectibles Physician Clinics	1,333,400 629,932 129,600	1,601,800 570,000 <u>25,697</u>			
Total allowances Totals	<u>3,862,132</u> \$ <u>8,016,094</u>	4,144,397 \$_9,158,810			

ANALYSIS OF ALLOWANCE FOR UNCOLLECTIBLES

		Amounts Year ended June 30		Percent of net patient service revenue Year ended June 30	
	2018	2017	2018	2017	
BALANCE, beginning	\$ 570,000	\$ 330,000			
ADD Provision for bad debts	826,629	885,514	1.94%	2.04%	
DEDUCT Accounts written off	_(766,697)	(645,514)	1.80%	1.49%	
BALANCE, ending	\$ <u>629,932</u>	\$ 570,000			

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

	June 30		Increase	
	2018	2017	(decrease)	
Storeroom	\$ 673,139	\$ 631,656	\$ 41,483	
Pharmacy	350,723	335,392	15,331	
Dietary	18,314	15,087	3,227	
Totals	\$ <u>1,042,176</u>	\$ <u>982,135</u>	\$ <u>60,041</u>	

Jefferson County Hospital d/b/a Jefferson County Health Center INSURANCE COVERAGE June 30, 2018

Insurer	Coverage Type	Effective Dates	Coverage Amount
Chubb	Directors and Officers	July 2017 to July 2018	\$2,000,000
Travelers	Employee Honesty Bond	May 2018 to May 2019	\$500,000/Discovery
Midwest Medical Insurance	Physician Liability Each claim Total facility Each claim – Surgeon Aggregate – Surgeon	August 2017 to August 2018 January 2018 to January 2019	\$3,000,000 \$5,000,000 \$2,000,000 \$4,000,000
Pro Assurance	Physician Liability (Surgeon) Each claim Aggregate	August 2017 to August 2018	\$2,000,000 \$4,000,000
Midwest Medical Insurance	Hospital General Liability/ Medical Professional Liability Each claim Aggregate	May 2018 to May 2019	\$1,000,000 \$3,000,000
Midwest Medical Insurance	Umbrella Excess Liability Each claim Aggregate	May 2018 to May 2019	\$7,000,000 \$7,000,000
Travelers	Business Auto	May 2018 to May 2019	\$1,000,000
Travelers	Building and Contents Business Interruption	May 2018 to May 2019	\$68,791,310 \$48,625,000
Travelers	Builder's Risk	April 2018 to October 2018	\$6,074,000
Midwest Medical Insurance	Hospital Cyber Liability Each claim	May 2018 to May 2019	\$100,000

The summary of insurance coverage is presented on the basis of information obtained from policies on file at the Hospital.

Jefferson County Hospital d/b/a Jefferson County Health Center PATIENT SERVICE REVENUE

	Total			
	Year end	ed June 30	Increase	
	2018	2017	(decrease)	
DAILY PATIENT SERVICES				
Medical and surgical	\$ 3,466,644	\$ 3,531,773	\$ (65,129)	
Critical care unit	82,350	75,503	6,847	
Swing bed	1,177,016	1,557,930	(380,914)	
	4,726,010	5,165,206	(439, 196)	
OTHER NURSING SERVICES	<i>5</i> — <i>1</i> — <i>5</i> — <i>3</i>	3	7-7	
Operating and recovery rooms	10,320,706	12,029,119	(1,708,413)	
Central supply	174,734	193,450	(18,716)	
Emergency services	6,772,930	7,452,611	(679,681)	
	17,268,370	19,675,180	(2,406,810)	
OTHER PROFESSIONAL SERVICES				
Laboratory and blood bank	10,037,727	9,801,609	236,118	
Electrocardiology	559,120	559,894	(774)	
Radiology	3,397,472	3,509,163	(111,691)	
CT scans	4,175,677	4,105,128	70,549	
Magnetic resonance imaging	1,836,552	1,728,793	107,759	
Pharmacy	12,366,098	13,617,392	(1,251,294)	
Anesthesiology	1,355,976	1,650,584	(294,608)	
Respiratory therapy	1,324,296	1,090,224	234,072	
Physical therapy	1,559,201	1,690,488	(131,287)	
Speech therapy	146,360	157,076	(10,716)	
Occupational therapy	453,097	488,390	(35,293)	
Oncology	1,194,070	1,404,379	(210,309)	
Medical arts	8,913,524	8,354,393	559,131	
Physician clinic	1,683,489	2,135,334	(451,845)	
Sleep lab	864,379	813,877	50,502	
Urology	-	18,160	(18,160)	
Ophthalmology	856,876	954,514	(97,638)	
GI clinic	4,052	: (:	4,052	
Pediatrics	1,498	1,785	(287)	
Rheumotology	102,284	68,654	33,630	
	50,831,748	52,149,837	(1,318,089)	
	72,826,128	76,990,223	(4,164,095)	
Charity care charges foregone, based on established rates	(489,736)	(196,694)	(293,042)	
Total gross patient service revenue	72,336,392	76,793,529	(4,457,137)	
Provisions for contractual and other adjustments	(29,788,150)	(33,436,719)	(3,648,569)	
Net patient service revenue	\$ <u>42,548,242</u>	\$ <u>43,356,810</u>	\$(808,568)	

	Inpatient		Outpatient		
Year end	ed June 30	Increase	Year end	ed June 30	Increase
2018	2017	(decrease)	2018	2017	(decrease)
\$ 3,466,644	\$ 3,531,773	\$ (65,129)	\$ =	\$ -	\$ -
82,350	75,503	6,847		2=:	_
1,177,016	1,557,930	(380,914)			
4,726,010	5,165,206	<u>(439,196</u>)		1	() () ()
1,498,569	2,484,629	(986,060)	8,822,137	9,544,490	(722,353)
116,385	151,752	(35,367)	58,349	41,698	16,651
59,701	42,449	17,252	6,713,229	7,410,162	(696,933)
1,674,655	2,678,830	(<u>1,004,175</u>)	15,593,715	16,996,350	(1,402,635)
441,480	471,890	(30,410)	9,596,247	9,329,719	266,528
18,631	17,755	876	540,489	542,139	(1,650)
125,088	114,591	10, 4 97	3,272,384	3,394,572	(122,188)
195,198	144,694	50,504	3,980,479	3,960,434	20,045
42,592	40,396	2,196	1,793,960	1,688,397	105,563
894,359	1,077,146	(182,787)	11,471,739	12,540,246	(1,068,507)
113,315	193,772	(80,457)	1,242,661	1,456,812	(214,151)
790,837	676,698	114,139	533,459	413,526	119,933
269,705	393,317	(123,612)	1,289,496	1,297,171	(7,675)
37,954	35,404	2,550	108,406	121,672	(13,266)
247,524	317,608	(70,084)	205,573	170,782	34,791
436	329	107	1,193,634	1,404,050	(210,416)
_	_		8,913,524	8,354,393	559,131
_	_	_	1,683,489	2,135,334	(451,845)
_	_	_	864,379	813,877	50,502
_	_	_	_	18,160	(18,160)
_	_	_	856,876	954,514	(97,638)
_			4,052	() ;	4,052
_	-	_	1,498	1,785	(287)
			102,284	68,654	33,630
3,177,119	3,483,600	(306,481)	47,654,629	48,666,237	(<u>1,011,608</u>)
\$ <u>9,577,784</u>	\$ <u>11,327,636</u>	\$(<u>1,749,852</u>)	\$63,248,344	\$65,662,587	\$(<u>2,414,243</u>)

Jefferson County Hospital d/b/a Jefferson County Health Center PROVISIONS FOR CONTRACTUAL AND OTHER ADJUSTMENTS

Year ende	Increase	
2018	2017	(decrease)
*	-	
\$14,825,432	\$17,928,049	\$(3,102,617)
5,824,139	6,856,529	(1,032,390)
4,903,095	5,087,241	(184,146)
826,629	885,514	(58,885)
3,408,855	2,679,386	729,469
\$ <u>29,788,150</u>	\$ <u>33,436,719</u>	\$(<u>3,648,569</u>)
	2018 \$14,825,432 5,824,139 4,903,095 826,629 3,408,855	\$14,825,432 \$17,928,049 5,824,139 6,856,529 4,903,095 5,087,241 826,629 885,514 3,408,855 2,679,386

OTHER REVENUE

	<u>Year ende</u> 2018	ed June 30 2017	Increase (decrease)
Electronic health records meaningful use incentive revenue	\$ 141,669	\$ 92,830	\$ 48,839
340(b) program revenue	958,767	356,663	602,104
Employee and guest meals	181,771	161,620	20,151
Lifeline	56,408	62,658	(6,250)
Specialty clinics rent	68,230	52,075	16,155
Rental income, net	160,859	164,812	(3,953)
Miscellaneous, net	206,687	<u>132,903</u>	<u>73,784</u>
Totals	\$ <u>1,774,391</u>	\$ <u>1,023,561</u>	\$ <u>750,830</u>

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

		ed June 30	Increase
	2018	2017	(decrease)
ADMINISTRATIVE		0 400 440	0 0 400
Salaries	\$ 142,243	\$ 139,110	\$ 3,133
Supplies and expense	<u> 18,276</u>	19,572	(1,296)
	<u> 160,519</u>	158,682	1,837
MEDICAL AND SURGICAL		21222	E0 700
Salaries	1,917,195	1,864,487	52,708
Supplies and expense	418,252	297,357	120,895
	2,335,447	2,161,844	173,603
CRITICAL CARE UNIT			
Salaries	<u> 13,874</u>	<u>11,227</u>	2,647
OPERATING AND RECOVERY ROOMS		101001121010	
Salaries	949,239	868,539	80,700
Professional fees	24,749	131,353	(106,604)
Supplies and expense	<u>1,215,460</u>	874,513	340,947
	<u>2,189,448</u>	1,874,405	315,043
CENTRAL SUPPLY			
Salaries	68,433	80,093	(11,660)
Supplies and expense	<u>91,184</u>	<u>87,010</u>	4,174
	<u> 159,617</u>	167,103	(7,486)
EMERGENCY SERVICES			
Salaries	957,940	919,518	38,422
Professional fees	1,772,951	1,762,948	10,003
Supplies and expense	134,062	160,561	(26,499)
	2,864,953	2,843,027	21,926
Totals	\$ <u>7,723,858</u>	\$ <u>7,216,288</u>	\$ <u>507,570</u>

Jefferson County Hospital d/b/a Jefferson County Health Center OTHER PROFESSIONAL SERVICE EXPENSES

	Year ended June 30		Increase
	2018	2017	(decrease)
LABORATORY AND BLOOD BANK			
Salaries	\$ 661,219	\$ 621,676	\$ 39,543
Professional fees	418,134	275,789	142,345
Supplies and expense	984,960	894,450	90,510
	2,064,313	1,791,915	272,398
ELECTROCARDIOLOGY			· ·
Salaries	33,894	65,745	(31,851)
Supplies and expense	36,140	36,793	(653)
	70,034	102,538	(32,504)
RADIOLOGY			
Salaries	660,387	650,913	9,474
Professional fees	266,857	262,873	3,984
Supplies and expense	496,164	481,104	15,060
Cuppilos and Oxpones	1,423,408	1,394,890	28,518
CT SCANS			
Supplies and expense	174,997	302,881	(127,884)
Supplies and expenses			
MAGNETIC RESONANCE IMAGING			
Professional fees	117,926	270,064	(152,138)
Supplies and expenses	4,193	12,947	(8,754)
Cupplies and experiece	122,119	283,011	(160,892)
PHARMACY	122,110	200,011	1100,002
Salaries	450,288	436,122	14,166
Drugs	5,077,481	5,056,727	20,754
Supplies and expense	134,907	113,383	21,524
Supplies and expense	5,662,676	5,606,232	56,444
ANESTHESIOLOGY	_5,002,070	0,000,202	
Professional fees	560,318	583,352	(23,034)
Supplies and expense	10,723	5,339	5,384
Supplies and expense	571,041	588,691	(17,650)
OPHTHALMOLOGY			
Salaries	342,020	359,215	(17,195)
Supplies and expense	19,281	17,034	2,247
Supplies and expense	361,301	376,249	(14,948)
RESPIRATORY THERAPY		010,240	(14,040)
Salaries	195,220	117,827	77,393
Oxygen	24,706	23,274	1,432
7 9	27,781	23,418	4,363
Supplies and expense	247,707	164,519	83,188
PHYSICAL THERAPY		104,513	00,100
Professional fees	821,213	872,325	(51,112)
	12,367	15,397	(3,030)
Supplies and expense	833,580	887,722	(54,142)
SPEECH THERAPY			(34, 142)
	24 577	25 776	(1.100)
Professional fees	<u>34,577</u>	35,776	<u>(1,199</u>)
OCCUPATIONAL THERADY			
OCCUPATIONAL THERAPY	222 620	246 026	(44.206)
Professional fees	232,620	246,826	(14,206)
Supplies and expense	2,053	3,291	(1,238)
	234,673	250,117	(15,444)

Jefferson County Hospital d/b/a Jefferson County Health Center OTHER PROFESSIONAL SERVICE EXPENSES (continued)

		ed June 30	Increase
DLIVEICIANE CLINIC	2018	2017	(decrease)
PHYSICIANS CLINIC Salaries	\$ 1,209,814	\$ 1,173,576	\$ 36,238
Contract labor	112,929	267,562	(154,633)
Supplies and expense	25,011	86,084	(61,073)
	1,347,754	1,527,222	(179,468)
WALK IN CLINIC		200000000000000000000000000000000000000	
Salaries		180,850	(180,850)
Supplies and expense	52	9,567	(9,515)
EAIDEIEI D OLINIO	52	190,417	_(190,365)
FAIRFIELD CLINIC Salaries	_	12,815	(12,815)
Supplies and expense	115,466	115,793	(327)
oupplies and expense	115,466	128,608	(13,142)
MEDICAL RECORDS			,
Salaries	369,550	404,087	(34,537)
Supplies and expense	63,833	60,386	3,447
	433,383	464,473	(31,090)
QUALITY ASSURANCE	202.052	045.744	E0 040
Salaries	303,953 33,076	245,711 18,493	58,242 14,583
Supplies and expense	337,029	264,204	72,825
MEDICAL ARTS			12,020
Salaries	5,501,248	4,897,678	603,570
Supplies and expense	989,889	900,901	88,988
	6,491,137	5,798,579	692,558
SLEEP LAB	ena i manimatore dan materia. U		
Salaries	118,792	119,598	(806)
Supplies and expense	20,566	26,546	(5,980)
DUCUMOTOLOGY	<u>139,358</u>	146,144	<u>(6,786</u>)
RHEUMOTOLOGY Salaries	20,959	21,170	(211)
Supplies and expense	93,851	68,173	25,678
Supplied and expense	114,810	89,343	25,467
ONCOLOGY			
Salaries	331,681	354,974	(23,293)
Supplies and expense	532,943	660,021	(127,078)
01.01.1910	<u>864,624</u>	1,014,995	<u>(150,371</u>)
GI CLINIC	1,103		1,103
Salaries Contract labor	29,000		29,000
Supplies and expense	627	_	627
Supplies and expense	30,730		30,730
UROLOGY			
Supplies and expense))	<u>93,833</u>	(93,833)
DIALYSIS	0.040	40.000	(44 770)
Salaries	6,316	18,095	(11,779)
Supplies and expense	<u>456</u> 6,772	1,471 19,566	(1,015) (12,794)
	0,112	19,000	(12,134)
Totals	\$21,681,541	\$21,521,925	\$ <u>159,616</u>
	· consequent of the Consequence		•

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

	Year ended June 30		Increase
	2018	2017	(decrease)
DIETARY			
Salaries	\$ 456,465	\$ 383,702	\$ 72,763
Food	206,842	189,412	17,430
Supplies and expense	90,371	130,141	(39,770)
	753,678	703,255	50,423
PLANT OPERATION AND MAINTENANCE			
Salaries	471,161	412,667	58,494
Utilities	568,540	553,536	15,004
Supplies and expense	347,385	304,129	43,256
- Property of the second of th	1,387,086	1,270,332	116,754
BIO MEDICAL	-		
Supplies and expense	3,183	31,362	(28,179)
			,
HOUSEKEEPING			
Salaries	358,980	320,021	38,959
Supplies and expense	133,378	110,415	22,963
osppo sa osposos	492,358	430,436	61,922
LAUNDRY AND LINEN			3
Supplies and expense	156,966	158,996	(2,030)
		0	
Totals	\$ <u>2,793,271</u>	\$2,594,381	\$ <u>198,890</u>

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

	Year ende	ed June 30 2017	Increase (decrease)
FISCAL AND ADMINISTRATIVE SERVICE	,	* /:	
Salaries			
Administrative	\$ 523,880	\$ 426,583	\$ 97,297
Fiscal and accounting	811,520	740,224	71,296
Purchasing and stores	198,013	139,367	58,646
Public relations	72,518	68,789	3,729
Data processing	204,171	202,839	1,332
Human resources	79,618	82,013	(2,395)
Data processing expense	542,208	482,565	59,643
Human resources supplies and expenses	60,628	69,275	(8,647)
Professional fees	16,179	17,844	(1,665)
Office supplies and expenses	962,195	765,560	196,635
Telephone	61,352	40,047	21,305
Collection fees	118,160	100,596	17,564
Purchasing and stores expense	14,032	21,440	(7,408)
Public relations expense	9,088	8,561	527
UNASSIGNED EXPENSES			
Physician recruiting	222,727	104,953	117,774
Insurance	261,419	242,771	18,648
Employee benefits			
FICA	1,174,812	1,069,737	105,075
IPERS	2,832,411	2,005,211	827,200
Group health insurance	2,119,725	1,859,792	259,933
Group disability insurance	55,686	60,671	(4,985)
Workers' compensation	162,221	201,239	(39,018)
Other employee benefits	43,905	27,787	16,118
Totals	\$ <u>10,546,468</u>	\$8,737,864	\$ <u>1,808,604</u>

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

	Year ended June 30			
	2018	2017	2016	2015
NET PATIENT SERVICE REVENUE	\$42,548,242	\$43,454,732	\$40,059,555	\$38,123,262
OTHER REVENUE Total revenue	1,774,391	925,639	693,636	1,710,749
	44,322,633	44,380,371	40,753,191	39,834,011
EXPENSES Salaries Supplies, professional fees and other expenses Provision for depreciation Total expenses Operating income (loss)	17,431,694	16,339,231	14,037,037	12,175,713
	25,313,444	23,731,227	22,329,541	18,857,152
	3,987,396	3,572,719	3,242,813	3,084,729
	46,732,534	43,643,177	39,609,391	34,117,594
	(2,409,901)	737,194	1,143,800	5,716,417
NONOPERATING GAINS (LOSSES) County taxes Investment income and equity in net income of joint venture investments Interest and amortization expense Gain on sale of property and equipment Total nonoperating gains (losses)	831,082	838,964	863,972	856,845
	437,565	280,867	377,287	332,734
	(835,581)	(1,040,316)	(1,800,366)	(2,105,136)
	3,840	-	148	2,056
	436,906	79,515	(558,959)	(913,501)
Excess (deficiency) of revenues over expenses before contributions CONTRIBUTIONS	(1,972,995)	816,709	584,841	4,802,916
	<u>45,220</u>	<u>41,264</u>	60,920	<u>61,262</u>
Change in net position	\$ <u>(1,927,775</u>)	\$ 857,973	\$ <u>645,761</u>	\$ <u>4,864,178</u>

Jefferson County Hospital d/b/a Jefferson County Health Center COMPARATIVE STATISTICS (unaudited)

	Year end	led June 30 _ 2017
PATIENT DAYS Adult and pediatric Swing bed	1,468 1,893	1,683 2,407
Total patient days	<u>3,361</u>	4,090
ADMISSIONS Adult and pediatric Swing bed	426 181	480
Total admissions	<u>607</u>	698
DISCHARGES Adult and pediatric Swing bed	417 175	495
Total discharges	<u>592</u>	<u>711</u>
AVERAGE LENGTH OF STAY Adult and pediatric Swing bed BEDS	3.52 10.82	3.40 11.14
Adult and pediatric	25	25
OCCUPANCY PERCENT Adult and pediatric Swing bed	16.09% 20.75%	18.44% 26.38%
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	\$116,571	\$119,054
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES AT END OF YEAR	69	77



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees Jefferson County Hospital d/b/a Jefferson County Health Center Fairfield, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Jefferson County Hospital d/b/a Jefferson County Health Center, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Jefferson County Hospital's basic financial statements, and have issued our report thereon dated November 2, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part II of the accompanying Schedule of Findings.

Purpose of this Report

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

DENMAN & COMPANY, LLP

Denman & Company, XXP

West Des Moines, Iowa November 2, 2018

Jefferson County Hospital d/b/a Jefferson County Health Center SCHEDULE OF FINDINGS Year ended June 30, 2018

Part I—Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCY

No matters regarding significant deficiencies, material weaknesses or instances of noncompliance relative to the financial statements were reported.

Part II—Findings Related to Required Statutory Reporting

18-II-A CERTIFIED BUDGET

Based on a comparison of actual operating expenses with budget basis expenditures, it appears the Hospital did not exceed its budget for the year ended June 30, 2018.

18-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Hospital funds were noted.

18-II-C TRAVEL EXPENSES

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

18-II-D BUSINESS TRANSACTIONS

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

18-II-E BOARD MINUTES

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

18-II-F DEPOSITS AND INVESTMENTS

We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Hospital's investment policy.