

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

FINANCIAL REPORT

June 30, 2023 and 2022

C O N T E N T S

	<u>Page</u>
OFFICIALS	3
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	4-6
MANAGEMENT'S DISCUSSION AND ANALYSIS	7-11
FINANCIAL STATEMENTS	
Statements of net position	12-13
Statements of revenues, expenses, and changes in net position	14
Statements of cash flows	15-16
Notes to financial statements	17-33
REQUIRED SUPPLEMENTARY INFORMATION	34
Budgetary comparison schedule of revenues, expenses and changes in net position, budget and actual	35
Schedule of changes in the Health Center's net OPEB liability, related ratios and notes	36
Schedule of the Health Center's proportionate share of the net pension asset/liability	37
Schedule of Health Center pension contributions	38
Notes to required supplementary information – net pension asset/liability	39
OTHER SUPPLEMENTARY INFORMATION	40
Analysis of patient receivables	41
Analysis of allowance for uncollectibles	41
Patient service revenue	42
Provisions for contractual and other adjustments	43
Other revenue	43
Expenses	44-45
OTHER INFORMATION	46
Comparative statistics, utilization and other information	47
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	48-49
SCHEDULE OF FINDINGS	50

**Jefferson County Hospital
d/b/a Jefferson County Health Center
OFFICIALS
June 30, 2023**

BOARD OF TRUSTEES

Expiration of term

Officers

Merlin Miller, Chair
Greg Hanshaw, Vice Chair
Joneane Parker, Secretary/Treasurer

December 31, 2024
December 31, 2026
December 31, 2024

Members

Angie Atwood
Julie Greeson
Bob Keller
Joseph Stever

December 31, 2026
December 31, 2024
December 31, 2026
December 31, 2026

CHIEF EXECUTIVE OFFICER

Bryan Hunger

CHIEF FINANCIAL OFFICER

Brent Feickert



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Health Center's basic financial statements as listed in the table of contents.

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, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Jefferson County Hospital d/b/a Jefferson County Health Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Change in Accounting Principle

As discussed in the notes to the financial statements, in 2023 the Health Center adopted new accounting guidance, GASB Number 96, *Subscription Based Information Technology Agreements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jefferson County Hospital d/b/a Jefferson County Health Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Jefferson County Hospital d/b/a Jefferson County Health Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jefferson County Hospital d/b/a Jefferson County Health Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Jefferson County Hospital d/b/a Jefferson County Health Center's basic financial statements. The Other Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the Other Information as listed in the table of contents included in the annual report. The Other Information comprises the comparative statistics, utilization and other information but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the Other Information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the Other Information and consider whether a material inconsistency exists between the Other Information and the basic financial statements, or the Other Information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the Other Information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2023 on our consideration of Jefferson County Hospital d/b/a Jefferson County Health Center'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 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 Jefferson County Hospital d/b/a Jefferson County Health Center's internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 21, 2023

**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 financial statements this narrative overview and analysis of the Health Center's financial performance during the fiscal years ended June 30, 2023, 2022 and 2021. Please read it in conjunction with the Health Center's financial statements, which follow this section.

Overview of the Financial Statements

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

Required Financial Statements

The financial statements of the Health Center report information of the Health Center using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The statement of financial position includes the 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 Health Center's creditors. It also provides the basis for evaluating the capital structure of the Health Center and assessing the liquidity and financial flexibility of the Health Center.

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

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

Financial Highlights

	<u>2023</u>	<u>2022</u> Restated	<u>Increase</u> <u>(Decrease)</u>
Total assets	\$57,538,079	\$61,765,864	\$(4,227,785)
Total assets whose use is limited	2,084,668	2,044,535	40,133
Total capital assets	25,720,311	27,161,106	(1,440,795)
Total current and long-term debt	13,850,693	16,772,559	(2,921,866)
Total net position	27,319,662	26,804,376	515,286
Net patient service revenue	56,008,791	54,587,776	1,421,015
Total operating expenses	59,251,131	58,150,604	1,100,527

Financial Analysis of the Health Center

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

A summary of the Health Center's statements of net position is presented below:

Condensed Statements of Net Position

	June 30		
	2023	2022 Restated	2021
Current assets	\$25,551,619	\$28,886,619	\$30,236,333
Noncurrent assets whose use is limited	354,755	330,484	393,100
Capital assets	25,720,311	27,161,106	27,159,881
Other assets	5,911,394	5,387,655	4,782,637
Deferred outflows of resources	<u>4,180,761</u>	<u>3,532,310</u>	<u>4,660,118</u>
Total assets and deferred outflows of resources	<u>\$61,718,840</u>	<u>\$65,298,174</u>	<u>\$67,232,069</u>
Current liabilities	\$ 9,692,000	\$10,427,310	\$ 8,337,700
Noncurrent liabilities	22,223,241	14,793,662	32,442,014
Deferred inflows of resources	2,483,937	13,272,826	1,700,124
Net position	<u>27,319,662</u>	<u>26,804,376</u>	<u>24,752,231</u>
Total liabilities, deferred inflows of resources and net position	<u>\$61,718,840</u>	<u>\$65,298,174</u>	<u>\$67,232,069</u>

A summary of the Health Center's historical statements of revenues, expenses, and changes in net position is presented below:

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

	Year ended June 30		
	2023	2022 Restated	2021
Total revenue	\$58,494,363	\$56,912,891	\$51,264,723
Total expenses	<u>59,251,131</u>	<u>58,150,604</u>	<u>54,143,798</u>
Operating (loss)	(756,768)	(1,237,713)	(2,879,075)
Total nonoperating gains and contributions	<u>1,272,054</u>	<u>3,289,858</u>	<u>9,038,738</u>
Change in net position	515,286	2,052,145	6,159,663
Total net position, beginning	<u>26,804,376</u>	<u>24,752,231</u>	<u>18,592,568</u>
Total net position, ending	<u>\$27,319,662</u>	<u>\$26,804,376</u>	<u>\$24,752,231</u>

Operating and Financial Performance

The following summarizes the Health Center's statements of revenues, expenses and changes in net position for the years ended June 30, 2023, 2022 and 2021.

Patient Service Revenue

Net patient service revenue is a product of volume, price increases, contractual adjustments and payor mix. The following table summarizes the changes in these factors for 2023, 2022 and 2021.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Volume			
Patient days			
Adult and pediatric	2,001	2,785	2,106
Swing bed	1,292	1,011	1,885
Discharges			
Adult and pediatric	534	642	565
Swing bed	133	87	129
Average length of stay			
Adult and pediatric	3.7	4.3	3.7
Swing bed	9.7	11.6	14.6
Gross revenue, before charity care			
Inpatient	\$12,015,610	\$14,626,655	\$13,602,312
Outpatient	95,363,289	86,123,773	75,787,246
Contractual and other adjustments	50,838,621	45,703,020	39,938,844
Percent of gross revenue	48%	46%	45%
Payor mix by percentage			
Medicare	56%	55%	57%
Medicaid	13%	14%	14%
Commercial insurance	30%	30%	28%
All other	1%	1%	1%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Expenses

The following table summarizes the Health Center's expenses, including interest expense, by type of expense for each of 2023, 2022 and 2021.

	<u>2023</u>		<u>2022</u> Restated		<u>2021</u>	
Salaries	\$23,565,458	39%	\$23,623,519	40%	\$20,405,371	37%
Supplies and other expenses	31,689,618	53	30,597,735	52	29,762,393	54
Depreciation and amortization	3,996,055	7	3,929,350	7	3,976,034	7
Interest and amortization	<u>484,048</u>	<u>1</u>	<u>547,252</u>	<u>1</u>	<u>643,792</u>	<u>1</u>
Total	<u>\$59,735,179</u>	<u>100%</u>	<u>\$58,697,856</u>	<u>100%</u>	<u>\$54,787,590</u>	<u>100%</u>

Nonoperating Gains

Nonoperating gains were \$1,242,398 in 2023 compared to \$3,208,826 in 2022.

Capital Assets

A summary of the Health Center's capital assets is presented below:

Capital Assets

	June 30		
	2023	2022	2021
		Restated	
Property and equipment, gross	\$75,117,726	\$72,744,832	\$69,062,770
Less accumulated depreciation	<u>49,397,415</u>	<u>45,583,726</u>	<u>41,902,889</u>
Net capital assets	<u>\$25,720,311</u>	<u>\$27,161,106</u>	<u>\$27,159,881</u>
Acquisitions of capital assets during the year	\$ 2,505,516	\$ 3,877,057	\$ 1,753,254
Disposal of capital assets during the year	<u>132,622</u>	<u>194,995</u>	<u>—</u>
Increase in property and equipment, gross	<u>\$ 2,372,894</u>	<u>\$ 3,682,062</u>	<u>\$ 1,753,254</u>

Debt Administration

The changes in long-term debt for 2023, 2022 and 2021 are shown below. More detailed information about the Health Center's outstanding debt is presented in the Notes to Financial Statements.

Long-term Debt

	Year ended June 30		
	2023	2022	2021
Beginning balance	\$16,785,660	\$19,338,522	\$22,251,062
Additions	25,000	409,600	—
Principal payments	<u>(2,953,416)</u>	<u>(2,962,462)</u>	<u>(2,912,540)</u>
Ending balance	<u>\$13,857,244</u>	<u>\$16,785,660</u>	<u>\$19,338,522</u>
Long-term debt as a percentage of total liabilities	43%	67%	47%

Performance Compared to County Hospital Budget

The Health Center prepares its annual County Hospital budget on the budget basis, which differs from generally accepted accounting principles, GAAP basis. More detailed information as to major differences between County Hospital budget and GAAP bases are presented in the Notes to Financial Statements. A comparison of the Health Center's fiscal year 2023 actual budget basis financial information to its annual County Hospital budget is presented below:

Actual vs Budget

	Actual budget basis	Annual County Hospital budget	Variance
Amount to be raised by taxation	\$ 899,455	\$ 876,180	\$ 23,275
Other revenues/receipts	<u>59,351,010</u>	<u>66,621,301</u>	<u>(7,270,291)</u>
	60,250,465	67,497,481	(7,247,016)
Expenses/expenditures	<u>61,399,828</u>	<u>66,762,500</u>	<u>(5,362,672)</u>
Net	<u>\$ (1,149,363)</u>	<u>\$ 734,981</u>	<u>\$(1,884,344)</u>

Economic and Other Factors and Next Year's Budget

The Health Center's board and management considered many factors when setting the fiscal year 2024 budget. Of primary importance are the market forces and environmental factors impacting healthcare such as:

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

Contacting Health Center's Management

This financial report is designed to provide users with a general overview of the Health Center's finances and to demonstrate the Health Center's accountability. If you have questions about this report or need additional information, contact 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	
	2023	2022
		Restated
CURRENT ASSETS		
Cash	\$12,772,943	\$16,919,634
Assets whose use is limited, required for current liabilities	1,729,913	1,714,051
Patient receivables, less allowance for contractual adjustments and bad debts	7,538,511	6,861,151
Other receivables	499,750	397,320
Estimated third-party payor settlements	—	400,000
Inventories	1,178,184	1,030,455
Prepaid expenses	727,318	672,008
Succeeding year property tax receivable	<u>1,105,000</u>	<u>892,000</u>
Total current assets	<u>25,551,619</u>	<u>28,886,619</u>
ASSETS WHOSE USE IS LIMITED		
Restricted by bond indenture agreement		
Cash and cash equivalents	1,729,913	1,714,051
Restricted by donors for specific purposes		
Cash and cash equivalents	<u>354,755</u>	<u>330,484</u>
Total assets whose use is limited	<u>2,084,668</u>	<u>2,044,535</u>
Less assets whose use is limited, required for current liabilities	<u>1,729,913</u>	<u>1,714,051</u>
Noncurrent assets whose use is limited	<u>354,755</u>	<u>330,484</u>
CAPITAL ASSETS	75,117,726	72,744,832
Less accumulated depreciation and amortization	<u>49,397,415</u>	<u>45,583,726</u>
Total capital assets	<u>25,720,311</u>	<u>27,161,106</u>
OTHER ASSETS		
Acquired intangible assets, net	172,958	271,553
Other receivables	3,858,378	3,194,879
Investment in joint ventures	<u>1,880,058</u>	<u>1,921,223</u>
Total other assets	<u>5,911,394</u>	<u>5,387,655</u>
Total assets	<u>57,538,079</u>	<u>61,765,864</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	4,168,906	3,518,286
OPEB related deferred outflows	<u>11,855</u>	<u>14,024</u>
Total deferred outflows of resources	<u>4,180,761</u>	<u>3,532,310</u>
Total assets and deferred outflows of resources	<u>\$61,718,840</u>	<u>\$65,298,174</u>

See Notes to Financial Statements.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
STATEMENTS OF NET POSITION (continued)**

	June 30	
	2023	2022
		Restated
CURRENT LIABILITIES		
Long-term debt, current	\$ 3,038,239	\$ 2,941,460
Lease liability, current	173,363	78,017
IT subscription liability, current	200,132	48,000
Accounts payable	2,775,500	3,414,458
Accrued employee compensation	2,245,656	2,864,125
Payroll taxes and withholdings	1,026,972	935,699
Estimated third-party payor settlements	122,000	—
Accrued interest	110,138	145,551
Total current liabilities	<u>9,692,000</u>	<u>10,427,310</u>
LONG-TERM LIABILITIES		
Long-term debt, noncurrent	10,812,454	13,831,099
Lease liability, noncurrent	671,218	375,105
IT subscription liability, noncurrent	268,182	101,762
Net pension liability	10,299,682	329,788
Net OPEB liability	171,705	155,908
Total long-term liabilities	<u>22,223,241</u>	<u>14,793,662</u>
Total liabilities	<u>31,915,241</u>	<u>25,220,972</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable property tax revenue	1,105,000	892,000
Pension related deferred inflows	1,317,918	12,320,827
OPEB related deferred inflows	61,019	59,999
Total deferred inflows of resources	<u>2,483,937</u>	<u>13,272,826</u>
NET POSITION		
Net investment in capital assets	10,556,723	9,785,663
Restricted		
By bond indenture agreement	1,729,913	1,714,051
For specific purpose by donors	354,755	330,484
Unrestricted	<u>14,678,271</u>	<u>14,974,178</u>
Total net position	<u>27,319,662</u>	<u>26,804,376</u>
Total liabilities and deferred inflows of resources	<u>\$61,718,840</u>	<u>\$65,298,174</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2023	2022
		Restated
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2023 \$869,977; 2022 \$575,102	\$56,008,791	\$54,587,776
OTHER REVENUE	<u>2,485,572</u>	<u>2,325,115</u>
Total revenue	<u>58,494,363</u>	<u>56,912,891</u>
OPERATING EXPENSES		
Nursing service	10,778,661	11,980,151
Other professional service	30,387,366	29,771,530
General service	3,931,769	3,664,756
Fiscal and administrative service and unassigned expenses	10,157,280	8,804,817
Provision for depreciation and amortization	<u>3,996,055</u>	<u>3,929,350</u>
Total expenses	<u>59,251,131</u>	<u>58,150,604</u>
Operating (loss)	<u>(756,768)</u>	<u>(1,237,713)</u>
NONOPERATING GAINS (LOSSES)		
COVID-19 Provider Relief Funding	5,752	2,352,510
County taxes	899,455	900,701
Investment income	286,660	18,408
Interest and amortization expense	(484,048)	(547,252)
Equity in income of joint venture investments	483,835	524,561
Gain (loss) on sale of property and equipment	<u>50,744</u>	<u>(40,102)</u>
Total nonoperating gains (losses)	<u>1,242,398</u>	<u>3,208,826</u>
Excess of revenues over expenses before contributions	485,630	1,971,113
CONTRIBUTIONS	<u>29,656</u>	<u>81,032</u>
Change in net position	515,286	2,052,145
TOTAL NET POSITION		
Beginning	<u>26,804,376</u>	<u>24,752,231</u>
Ending	<u>\$27,319,662</u>	<u>\$26,804,376</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2023	2022
		Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$55,853,431	\$54,312,669
Cash paid to suppliers for goods and services	(34,870,920)	(32,372,231)
Cash paid to employees for services	(24,183,927)	(22,922,542)
Other operating revenue received	<u>2,485,572</u>	<u>2,325,115</u>
Net cash flows from operating activities	<u>(715,844)</u>	<u>1,343,011</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
COVID-19 provider relief funding received	5,752	2,352,510
County taxes received	<u>899,455</u>	<u>900,701</u>
Net cash flows from noncapital financing activities	<u>905,207</u>	<u>3,253,211</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets and construction in progress	(1,468,098)	(2,740,002)
Principal payments on long-term debt	(2,953,416)	(2,962,462)
Principal payments on leases	(99,776)	(83,778)
Principal payments on IT subscriptions	(202,631)	(40,793)
Proceeds from sale of capital assets	99,595	4,975
Interest paid on long-term debt	(512,911)	(550,493)
Contributions restricted for purchase of capital assets	<u>29,656</u>	<u>81,032</u>
Net cash flows from capital and related financing activities	<u>(5,107,581)</u>	<u>(6,314,981)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from investments in joint ventures	525,000	400,000
Investment income received	<u>286,660</u>	<u>18,408</u>
Net cash flows from investing activities	<u>811,660</u>	<u>418,408</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,106,558)	(1,300,351)
CASH AND CASH EQUIVALENTS		
Beginning	<u>18,964,169</u>	<u>20,264,520</u>
Ending	<u>\$14,857,611</u>	<u>\$18,964,169</u>

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

	Year ended June 30	
	2023	2022
		Restated
RECONCILIATION OF OPERATING (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating (loss)	\$ (756,768)	\$(1,237,713)
Adjustments to reconcile operating (loss) to net cash flows from operating activities		
Provision for depreciation and amortization	3,996,055	3,929,350
Change in assets, liabilities, deferred outflows and deferred inflows		
Patient receivables	(677,360)	(175,107)
Other receivables, net of noncapital financing activities	(765,929)	(254,271)
Inventories	(147,729)	(102,023)
Prepaid expenses	(55,310)	(76,672)
Deferred outflows of resources	(648,451)	1,127,808
Accounts payable, net of capital assets payable	(638,958)	1,091,886
Accrued employee compensation	(618,469)	700,977
Payroll taxes and withholdings	91,273	191,044
Net estimated third-party payor settlements	522,000	(100,000)
Net pension asset/liability	9,969,894	(15,546,482)
Deferred inflows of resources	(11,001,889)	11,813,702
Net OPEB liability	<u>15,797</u>	<u>(19,488)</u>
Net cash flows from operating activities	\$ <u>(715,844)</u>	\$ <u>1,343,011</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	\$12,772,943	\$16,919,634
Assets whose use is limited		
Restricted by bond indenture agreement	1,729,913	1,714,051
Restricted by donors for specific purpose	<u>354,755</u>	<u>330,484</u>
Total per statement of cash flows	\$ <u>14,857,611</u>	\$ <u>18,964,169</u>

See Notes to Financial Statements.

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The Health Center is a county public hospital organized under Chapter 347, Code of Iowa, not subject to taxes on income or property, and receives tax support from 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 Health Center has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Health Center are such that exclusion would cause the Health Center's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Health Center to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Health Center. These criteria also include organizations that are fiscally dependent on the Health Center. Jefferson County Health Center has no material component units which meet the Governmental Accounting Standards Board criteria.

Measurement Focus and Basis of Accounting

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

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

Accounting Standards

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

Cash and Cash Equivalents

Cash and cash equivalents include money market funds and certificates of deposit.

Inventories

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

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.

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital asset acquisitions are recorded at cost. Capital assets donated for Health Center 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

Capital assets include right-of-use assets acquired through leasing and IT subscription agreements. The right-of-use assets are initially measured at an amount equal to the initial measurement of the related liability plus payments made prior to the agreement term, less incentives, and plus ancillary charges necessary to place the assets into service. The right-of-use assets are depreciated on a straight-line basis over the life of the agreements.

Acquired Intangible Assets, Net

Intangible assets acquired in connection with the purchase of a medical clinic are being amortized over a ten year period using the straight-line basis.

Investment to Joint Ventures

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.

Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension income/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.

OPEB Liability

For purposes of measuring the OPEB liability, deferred outflows and inflows of resources related to OPEB and OPEB expense, information has been determined based on the Health Center's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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 OPEB expense, pension income/expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 items related to the Health Center's pension plan and OPEB.

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 reduced by the outstanding balances of long-term liabilities 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 Health Center's policy to use restricted net position first.

Charity Care

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

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Revenues, Expenses, and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Revenues and expenses reported as nonoperating include county tax revenues and other subsidies, interest income and expense, equity in income of joint venture investments, gain or loss on sale of assets and contributions.

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs of Borrowing

Costs of borrowing are expensed in the year incurred.

Credit Policy

The Health Center 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.

NOTE 2 CASH AND INVESTMENTS

The Health Center's deposits in banks at June 30, 2023 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 Health Center is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The primary objectives of the Health Center'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 Health Center.

NOTE 3 PATIENT RECEIVABLES

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

	June 30	
	<u>2023</u>	<u>2022</u>
Receivable from patients	\$ 1,572,296	\$ 1,852,325
Receivable from insurance carriers	3,573,479	2,852,708
Receivable from Medicare	6,268,208	5,381,633
Receivable from Medicaid	<u>1,094,528</u>	<u>1,154,485</u>
Total patient receivables	12,508,511	11,241,151
Less allowances for contractual and other adjustments	<u>(4,970,000)</u>	<u>(4,380,000)</u>
Totals	<u>\$ 7,538,511</u>	<u>\$ 6,861,151</u>

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

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 years ended June 30, 2023 and 2022:

	Year ended June 30	
	2023	2022
Balance, beginning	\$1,714,051	\$1,710,290
Deposits	3,334,266	3,335,310
Investment income	9,608	1,487
Principal payments	(463,012)	(2,790,000)
Interest payments	(2,865,000)	(543,036)
Balance, ending	<u>\$1,729,913</u>	<u>\$1,714,051</u>

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the years ended June 30, 2023 and 2022 follows:

	Balance July 1, 2022 Restated	Additions	Deletions	Transfers	Balance June 30, 2023
Land	\$ 1,168,335	\$ —	\$ (34,645)	\$ —	\$ 1,133,690
Land improvements	2,559,497	25,927	—	—	2,585,424
Buildings	43,308,916	157,156	(56,753)	—	43,409,319
Equipment	24,931,828	963,398	(41,224)	213,176	26,067,178
Right-of-use leased assets	536,900	491,235	—	—	1,028,135
Right-of-use IT subscription assets	190,555	521,183	—	—	711,738
Construction and equipment installations in progress	<u>48,801</u>	<u>346,617</u>	<u>—</u>	<u>(213,176)</u>	<u>182,242</u>
Totals	<u>72,744,832</u>	<u>2,505,516</u>	<u>(132,622)</u>	<u>—</u>	<u>75,117,726</u>
Less accumulated depreciation	<u>(45,583,726)</u>	<u>(3,897,460)</u>	<u>83,771</u>	<u>—</u>	<u>(49,397,415)</u>
Net capital assets	<u>\$27,161,106</u>	<u>\$ (1,391,944)</u>	<u>\$ (48,851)</u>	<u>\$ —</u>	<u>\$25,720,311</u>
	Balance July 1, 2021 Restated	Additions	Deletions	Transfers	Balance June 30, 2022 Restated
Land	\$ 1,168,335	\$ —	\$ —	\$ —	\$ 1,168,335
Land improvements	2,559,497	—	—	—	2,559,497
Buildings	42,846,845	577,192	(115,121)	—	43,308,916
Equipment	22,470,729	2,540,973	(79,874)	—	24,931,828
Right-of-use leased assets	—	536,900	—	—	536,900
Right-of-use IT subscription assets	—	190,555	—	—	190,555
Construction and equipment installations in progress	<u>17,364</u>	<u>31,437</u>	<u>—</u>	<u>—</u>	<u>48,801</u>
Totals	<u>69,062,770</u>	<u>3,877,057</u>	<u>(194,995)</u>	<u>—</u>	<u>72,744,832</u>
Less accumulated depreciation	<u>(41,902,889)</u>	<u>(3,830,755)</u>	<u>149,918</u>	<u>—</u>	<u>(45,583,726)</u>
Net capital assets	<u>\$27,159,881</u>	<u>\$ 46,302</u>	<u>\$ (45,077)</u>	<u>\$ —</u>	<u>\$27,161,106</u>

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

NOTE 6 LONG TERM DEBT, LEASE LIABILITY AND IT SUBSCRIPTION LIABILITY

Long-Term Debt

Long-term debt is summarized as follows:

	June 30	
	2023	2022
Jefferson County Hospital Revenue Refunding Bonds, Series 2016B	\$12,765,000	\$14,870,000
Jefferson County Hospital Revenue Bonds, Series 2017	780,000	1,540,000
Notes payable, equipment	<u>312,244</u>	<u>375,660</u>
	13,857,244	16,785,660
Less discount	(6,551)	(13,101)
Less current maturities	<u>(3,038,239)</u>	<u>(2,941,460)</u>
Long-term debt, net of current maturities	<u>\$10,812,454</u>	<u>\$13,831,099</u>

Jefferson County Hospital Revenue Refunding Bonds, Series 2016B

The Health Center issued Jefferson County Hospital Revenue Refunding Bonds, Series 2016B dated August 1, 2016. The bonds mature serially through August 2028. Interest is payable February 1st, and August 1st, each year at the annual rate of 3%. The bonds are callable at the option of the Health Center at par plus accrued interest.

Jefferson County Hospital Revenue Bonds, Series 2017

The Health Center issued Jefferson County Hospital Revenues Bonds, Series 2017 dated January 3, 2017. The bonds mature serially through August 2023. Interest is payable on February 1st and August 1st at an annual rate of 2.8%. The Bonds are subject to early redemption.

Notes Payable Equipment

The Health Center has notes payable to finance equipment. The notes are payable in monthly installments through March 2027. Interest on the notes ranges from 2.7% to 3.9%. The notes are collateralized by the equipment purchased.

As to the above Hospital Revenue Bonds, the Health Center has pledged all future revenue to pay the principal and interest. The Bonds were issued to finance capital improvements of the Health Center and to provide financing for the constructing and equipping of a replacement Health Center. The revenues are pledged through August 2028. The remaining principal and interest on the obligations as of June 30, 2023 is approximately \$14,750,000 based on the payment schedules as of June 30, 2023. The following is a comparison of the pledged revenues and the principal and interest requirements of the Bonds for the years ended June 30, 2023 and 2022:

	Year ended June 30	
	2023	2022
		Restated
Change in net position	\$ 515,286	\$2,052,145
Provision for depreciation and amortization	3,996,055	3,929,350
Interest and amortization expense	484,048	547,252
IPERS and OPEB adjustments	(1,664,649)	(2,624,460)
(Gain) loss on sale of property	<u>(50,744)</u>	<u>40,102</u>
Pledged revenues	<u>\$3,279,996</u>	<u>\$3,944,389</u>
Principal and interest requirements	<u>\$3,327,145</u>	<u>\$3,332,951</u>

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

NOTE 6 LONG TERM DEBT, LEASE LIABILITY AND IT SUBSCRIPTION LIABILITY (continued)

Principal and interest maturities of long-term debt at June 30, 2023 are summarized as follows:

<u>Year ending June 30</u>	<u>Revenue Bonds</u>		<u>Equipment Notes</u>		<u>Totals</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,950,000	\$ 377,745	\$ 88,239	\$ 11,168	\$ 3,038,239	\$ 388,913	\$ 3,427,152
2025	2,235,000	317,625	91,606	7,800	2,326,606	325,425	2,652,031
2026	2,300,000	233,700	87,806	4,383	2,387,806	238,083	2,625,889
2027	2,370,000	164,175	44,593	1,076	2,414,593	165,251	2,579,844
2028	2,440,000	92,550	—	—	2,440,000	92,550	2,532,550
2029	1,250,000	18,750	—	—	1,250,000	18,750	1,268,750
Total	13,545,000	1,204,545	312,244	24,427	13,857,244	1,228,972	15,086,216
Less current maturities	2,950,000	377,745	88,239	11,168	3,038,239	388,913	3,427,152
Less discount	<u>6,551</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,551</u>	<u>—</u>	<u>6,551</u>
Total long-term debt	<u>\$10,588,449</u>	<u>\$ 826,800</u>	<u>\$ 224,005</u>	<u>\$ 13,259</u>	<u>\$10,812,454</u>	<u>\$ 840,059</u>	<u>\$11,652,513</u>

A summary of changes in long-term debt for the year ended June 30, 2023 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Hospital Revenue Bonds (Series 2016B)	\$14,870,000	\$ —	\$2,105,000	\$12,765,000	\$2,170,000
Hospital Revenue Bonds (Series 2017)	1,540,000	—	760,000	780,000	780,000
Equipment notes payable	<u>375,660</u>	<u>25,000</u>	<u>88,416</u>	<u>312,244</u>	<u>88,239</u>
Totals	<u>\$16,785,660</u>	<u>\$ 25,000</u>	<u>\$2,953,416</u>	<u>\$13,857,244</u>	<u>\$3,038,239</u>

A summary of changes in long-term debt for the year ended June 30, 2022 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Hospital Revenue Bonds (Series 2016B)	\$16,915,000	\$ —	\$2,045,000	\$14,870,000	\$2,105,000
Hospital Revenue Bonds (Series 2017)	2,285,000	—	745,000	1,540,000	760,000
Equipment notes payable	<u>138,522</u>	<u>409,600</u>	<u>172,462</u>	<u>375,660</u>	<u>76,460</u>
Totals	<u>\$19,338,522</u>	<u>\$ 409,600</u>	<u>\$2,962,462</u>	<u>\$16,785,660</u>	<u>\$2,941,460</u>

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

NOTE 6 LONG TERM DEBT, LEASE LIABILITY AND IT SUBSCRIPTION LIABILITY (continued)

Lease Liability and IT Subscription Liability

The Health Center has entered into agreements to lease certain equipment and information technology. The terms of the agreements qualify as other than short-term and, therefore, have been recorded at the present value of the future minimum payments as of the date of their inception.

A summary of changes in these liabilities for the year ended June 30, 2023 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>
Lease liability	\$ 453,122	\$ 491,235	\$ 99,776	\$ 844,581
IT subscription liability	<u>149,762</u>	<u>521,183</u>	<u>202,631</u>	<u>468,314</u>
Totals	<u>\$ 602,884</u>	<u>\$ 1,012,418</u>	<u>\$ 302,407</u>	<u>\$ 1,312,895</u>

A summary of changes in these liabilities for the year ended June 30, 2022 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>
Lease liability	\$ —	\$ 536,900	\$ 83,778	\$ 453,122
IT subscription liability	<u>—</u>	<u>190,555</u>	<u>40,793</u>	<u>149,762</u>
Totals	<u>\$ —</u>	<u>\$ 727,455</u>	<u>\$ 124,571</u>	<u>\$ 602,884</u>

The future lease and subscription payments under these agreements as of June 30, 2023, were as follows:

<u>Year ending June 30</u>	<u>Lease agreements</u>			<u>IT subscription agreements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 172,876	\$ 26,732	\$ 199,608	\$ 196,127	\$ 16,218	\$ 212,345
2025	179,025	20,583	199,608	157,479	9,236	166,715
2026	144,214	14,686	158,900	36,012	3,635	39,647
2027	135,376	9,955	145,331	37,293	2,354	39,647
2028	104,391	5,297	109,688	5,860	1,028	6,888
2029-2033	<u>106,326</u>	<u>5,674</u>	<u>112,000</u>	<u>25,598</u>	<u>1,951</u>	<u>27,549</u>
Totals	<u>\$ 842,208</u>	<u>\$ 82,927</u>	<u>\$ 925,135</u>	<u>\$ 458,369</u>	<u>\$ 34,422</u>	<u>\$ 492,791</u>

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

NOTE 7 NET PATIENT SERVICE REVENUE

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

Medicare and Medicaid

The Health Center is designated 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 Health Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the fiscal intermediary. The Iowa Medicaid Program has transitioned management of the program to managed care organizations. As a result, the Health Center is reimbursed using rates which are prospectively set by contracts with managed care organizations and is no longer subject to a final settlement based on actual costs incurred. The Health Center'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 Health Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2021.

Other

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

NOTE 8 CHARITY CARE

The Health Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Charges foregone, based on established rates	<u>\$ 531,487</u>	<u>\$ 459,632</u>

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 Health Center, except for those covered by another retirement system. IPERS issues a stand-alone 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.

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

NOTE 9 PENSION PLAN (continued)

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.

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.

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

NOTE 9 PENSION PLAN (continued)

Contribution rates, as a percentage of covered wages, were as follows for the years ended June 30, 2023 and 2022.

	Regular Members	
	2023	2022
Member contribution rate	6.29%	6.29%
Hospital contribution rate	<u>9.44%</u>	<u>9.44%</u>
Total contribution rate	<u>15.73%</u>	<u>15.73%</u>

The Health Center's contributions to IPERS for the years ended June 30, 2023 and 2022 were \$2,136,470 and \$2,088,595, respectively.

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

At June 30, 2023 and 2022, the Health Center reported a net pension liability of \$10,299,682 and \$329,788, respectively, for its proportionate share of the net pension asset/liability. The Health Center net pension asset/liability was measured as of June 30, 2022 and 2021, and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of those dates. The Health Center's proportion of the net pension asset/liability was based on the Health Center'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 Health Center's proportionate share:

	Measurement Date June 30		Change
	2022	2021	
Health Center's proportionate share	0.272612%	(0.095528)%	0.368140%

For the years ended June 30, 2023 and 2022, the Health Center recognized pension (income) expense of \$452,835 and \$(555,906), respectively. At June 30, 2023 and 2022, the Health Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension Related Deferred			
	Outflows of Resources		Inflows of Resources	
	2023	2022	2023	2022
Difference between expected and actual experience	\$ 457,282	\$ 250,923	\$ 141,110	\$ 251,941
Change in assumptions	8,741	215,709	629	—
Net difference between projected and actual earnings on pension plan investments	—	—	1,103,150	11,948,760
Change in proportion and difference between Health Center contributions and proportionate share of contributions	1,566,413	963,059	73,029	120,126
Health Center contributions subsequent to the measurement date	<u>2,136,470</u>	<u>2,088,595</u>	<u>—</u>	<u>—</u>
Totals	<u>\$4,168,906</u>	<u>\$3,518,286</u>	<u>\$1,317,918</u>	<u>\$12,320,827</u>

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

NOTE 9 PENSION PLAN (continued)

\$2,136,470 reported as deferred outflows of resources related to pensions resulting from the Health Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension (income) expense as follows:

Year ending June 30,

2024	\$ (582,361)
2025	(366,449)
2026	(974,460)
2027	2,523,824
2028	<u>113,964</u>
Totals	<u>\$ 714,518</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension asset in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	2.60% per annum
Salary increases	3.25% to 16.25% average, including inflation
Long-term investment rate of return	7% compounded annually, net of investment expense, including inflation
Wage Growth Rate	3.25% per annum, based on 2.6% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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

NOTE 9 PENSION PLAN (continued)

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 most recent target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	3.6%
International equity	17.5	4.8
Global smart beta equity	6.0	4.2
Core-plus fixed income	20.0	1.7
Private credit	4.0	3.8
Cash	1.0	0.8
Private equity	13.0	7.6
Private real assets	8.5	3.6
Private credit	<u>8.0</u>	3.6
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension asset/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 Health Center 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 asset/liability.

Sensitivity of the Health Center's Proportionate Share of the Net Pension Asset/Liability to Changes in the Discount Rate

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Health Center's proportionate share of the net pension (asset) liability	<u>\$19,193,820</u>	<u>\$10,299,682</u>	<u>\$2,461,515</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.

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

NOTE 9 PENSION PLAN (continued)

Payables to the Pension Plan

At June 30, 2023 and 2022, the Health Center reported payables to the defined benefit pension plan of approximately \$388,000 and \$125,000, respectively, for legally required employer contributions and employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 10 CONTINGENCIES

The Health Center is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Coverage limits are up to \$3,000,000 per claim and up to \$5,000,000 in the aggregate, with umbrella coverage up to \$10,000,000.

The Health Center 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 Health Center.

Incidents occurring through June 30, 2023 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 11 EMPLOYEE BENEFITS

The Health Center 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 equal to 125% of total expected claims. Total expense, which includes claims, administration fees, and stop-loss insurance, under this self-insurance program for the years ended June 30, 2023 and 2022 was approximately \$2,358,000 and \$2,680,000, respectively.

NOTE 12 HEALTH CENTER RISK MANAGEMENT

The Health Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Health Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage 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, 2023 and 2022, the balance of the fund was \$83,209 and \$77,439, respectively.

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

NOTE 14 CLINKINBEARD EDUCATION FUND

This fund was established through a donation and is to be used for employees furthering their education. As of June 30, 2023 and 2022, the balance of the fund was \$271,546 and \$253,045, respectively.

NOTE 15 INVESTMENT IN JOINT VENTURES

The Health Center has varying interests in several joint ventures engaged in providing various health care services. The investments are accounted for using the equity method. The Health Center has recorded its share of the joint ventures' income of \$483,835 in 2023 and \$524,561 in 2022.

NOTE 16 OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The Health Center 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 Health Center 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, 2023, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>231</u>
Total	<u>231</u>

Net OPEB Liability

The Health Center's Net OPEB liability of \$171,705 and \$155,908 was measured as of June 30, 2023 and 2022, respectively, and was determined by an actuarial valuation as of July 1, 2022.

Actuarial Assumptions

The Net OPEB liability as of June 30, 2023 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 plus merit increases
Discount rate	4.13% per annum
Healthcare cost trend rate	7.0% decreasing by .5% per year to an ultimate rate of 4.5%.

The discount rate used to measure the Net OPEB liability was 4.13% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

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

NOTE 16 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Changes in Net OPEB Liability

	Year ended June 30	
	2023	2022
Net OPEB liability, beginning of year	\$ 155,908	\$ 175,396
Changes for the year		
Service cost	18,281	21,194
Interest on the Net OPEB liability	7,124	4,305
Changes in benefit terms	—	—
Differences between expected and actual experience	(9,129)	(36,052)
Changes in assumptions or other inputs	(479)	(8,935)
Benefit payments	—	—
Net OPEB liability, end of year	<u>\$ 171,705</u>	<u>\$ 155,908</u>

Changes in assumptions or other inputs for the year ended June 30, 2023 includes a change in the discount rate from 4.09% in fiscal year 2022 to 4.13% in fiscal year 2023.

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

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

	1% Decrease	Current Discount Rate	1% Increase
Health Center's Net OPEB liability	<u>\$ 183,855</u>	<u>\$ 171,705</u>	<u>\$ 159,948</u>

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

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

	1% Decrease	Current Trend Rates	1% Increase
Health Center's Net OPEB liability	<u>\$ 149,244</u>	<u>\$ 171,705</u>	<u>\$ 198,838</u>

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

NOTE 16 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

OPEB Expense and Deferred Outflows and Inflows of Resources

For the years ended June 30, 2023 and 2022, the Health Center recognized OPEB expense of \$18,986 and \$20,041, respectively. At June 30, 2023 and 2022, the Health Center reported deferred outflows and inflows of resources related to OPEB from the following sources:

	OPEB Related Deferred			
	Outflows of Resources		Inflows of Resources	
	2023	2022	2023	2022
Differences between expected and actual experience	\$ —	\$ —	\$ 53,441	\$ 51,958
Changes in assumptions or other inputs	<u>11,855</u>	<u>14,024</u>	<u>7,578</u>	<u>8,041</u>
Totals	<u>\$ 11,855</u>	<u>\$ 14,024</u>	<u>\$ 61,019</u>	<u>\$ 59,999</u>

The amount reported as deferred outflows and inflows of resources related to OPEB will be recognized net of OPEB (income) expense as follows:

Year ending June 30,

2024	\$ (6,419)
2025	(6,419)
2026	(6,419)
2027	(6,419)
2028	(6,413)
Thereafter	<u>(17,075)</u>
Totals	<u>\$ (49,164)</u>

NOTE 17 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 approximately \$5,800 and \$5,900 for the years ended June 30, 2023 and 2022, respectively, under the agreements entered into by the City.

NOTE 18 OTHER RECEIVABLES

The Health Center 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 Health Center 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, 2023.

NOTE 19 CHANGE IN ACCOUNTING PRINCIPLE

The Health Center adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The objective of this statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability of financial statements among governments that have entered into SBITAs, and enhancing the understandability, reliability relevance, and consistency of information about SBITAs. As a result, the 2022 financial statements were restated. There was no effect on beginning net position.

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, 2023

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 Health Center 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 income/expense and OPEB expense is recorded on the GAAP basis.

The following is a comparison of actual expenditures to budget:

	<u>GAAP Basis</u>	<u>Budget Basis Adjustments</u>	<u>Budget Basis</u>	<u>County Hospital Budget</u>
Amount to be raised by taxation	\$ 899,455	\$ —	\$ 899,455	\$ 876,180
Other revenue/receipts	<u>58,866,962</u>	<u>484,048</u>	<u>59,351,010</u>	<u>66,621,301</u>
	59,766,417	484,048	60,250,465	67,497,481
Expenses/expenditures	<u>59,251,131</u>	<u>2,148,697</u>	<u>61,399,828</u>	<u>66,762,500</u>
Net	515,286	(1,664,649)	(1,149,363)	734,981
Balance, beginning	<u>26,804,376</u>	<u>9,334,212</u>	<u>36,138,588</u>	<u>26,291,324</u>
Balance, ending	<u>\$27,319,662</u>	<u>\$7,669,563</u>	<u>\$34,989,225</u>	<u>\$27,026,305</u>

Jefferson County Hospital
d/b/a Jefferson County Health Center
SCHEDULE OF CHANGES IN THE HEALTH CENTER'S NET OPEB LIABILITY, RELATED RATIOS AND NOTES
Required Supplementary Information

	Year ended June 30	
	2023	2022
Service cost	\$ 18,281	\$ 21,194
Interest cost	7,124	4,305
Differences between expected and actual experience	(9,129)	(36,052)
Changes in assumptions or other inputs	(479)	(8,935)
Benefit payments	<u>—</u>	<u>—</u>
Net change in Net OPEB liability	15,797	(19,488)
Net OPEB liability, beginning of year	<u>155,908</u>	<u>175,396</u>
Net OPEB liability, end of year	\$ <u>171,705</u>	\$ <u>155,908</u>
Covered-employee payroll	<u>\$17,635,041</u>	<u>\$17,187,836</u>
Net OPEB liability as a percentage of covered-employee payroll	1.0%	0.9%

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, 2021	2.19%
Year ended June 30, 2022	4.09%
Year ended June 30, 2023	4.13%

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

	June 30				
	2023	2022	2021	2020	2019
Health Center's net pension balance class	Liability	Liability	Liability	Liability	Liability
Health Center's proportion of the net pension asset/liability	0.272612%	(0.095528)%	0.226005%	0.221562%	0.224663%
Health Center's proportionate share of the net pension asset/liability	\$10,300	\$330	\$15,876	\$12,830	\$14,217
Health Center's total payroll	\$23,565	\$23,624	\$20,405	\$18,889	\$17,180
Health Center's proportionate share of the net pension asset/liability as a percentage of its total payroll	44%	1%	78%	68%	83%
Plan fiduciary net position as a percentage of the total pension asset/liability	91%	101%	83%	85%	83%

	June 30			
	2018	2017	2016	2015
Net pension balance class	Liability	Liability	Liability	Liability
Health Center's proportion of the net pension asset/liability	0.207273%	0.184474%	0.166762%	0.138837%
Health Center's proportionate share of the net pension asset/liability	\$13,807	\$11,610	\$8,239	\$5,506
Health Center's total payroll	\$17,432	\$16,339	\$14,037	\$12,176
Health Center's proportionate share of the net pension asset/liability as a percentage of its total covered payroll	79%	71%	59%	45%
Plan fiduciary net position as a percentage of the total pension asset/liability	82.5	81%	85%	88%

See accompanying notes to required supplementary information – net pension asset/liability.

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

	Year ended June 30				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 2,136	\$ 2,089	\$ 1,813	\$ 1,635	\$ 1,595
Contributions in relation to the statutorily required contribution	<u>2,136</u>	<u>2,089</u>	<u>1,813</u>	<u>1,635</u>	<u>1,595</u>
Contribution deficiency (excess)	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
Health Center's total payroll	\$23,565	\$23,624	\$20,405	\$18,889	\$17,180
Contributions as a percentage of total payroll	9.1%	8.8%	8.9%	8.7%	9.3%

	Year ended June 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 1,501	\$ 1,386	\$ 1,187	\$ 1,063	\$ 841
Contributions in relation to the statutorily required contribution	<u>1,501</u>	<u>1,386</u>	<u>1,187</u>	<u>1,063</u>	<u>841</u>
Contribution deficiency (excess)	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
Health Center's total payroll	\$17,432	\$16,339	\$14,037	\$12,176	\$9,554
Contributions as a percentage of total payroll	8.6%	8.5%	8.5%	8.7%	8.8%

See accompanying notes to required supplementary information – net pension asset/liability.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – NET PENSION ASSET/LIABILITY
Year ended June 30, 2023**

CHANGES OF BENEFIT TERMS

There were no significant changes in benefit terms.

CHANGES OF ASSUMPTIONS

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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.

Other Supplementary Information

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

<u>Age of accounts (by date of discharge)</u>	<u>Amounts</u>		<u>Percent to total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
0 – 30 days (includes patients in Health Center at end of year)	\$ 8,168,574	\$ 7,729,661	65.3%	68.8%
31 – 60 days	1,538,239	1,394,423	12.3	12.4
61 – 90 days	1,017,113	593,208	8.1	5.3
Over 90 days	<u>1,784,585</u>	<u>1,523,859</u>	<u>14.3</u>	<u>13.5</u>
	<u>12,508,511</u>	<u>11,241,151</u>	<u>100.0%</u>	<u>100.0%</u>
Allowances				
Contractual				
Medicare	2,694,200	2,318,100		
Medicaid	578,700	528,800		
Commercial insurance	1,124,900	907,800		
Uncollectibles	511,400	555,400		
Physician Clinics	60,800	69,900		
Total allowances	<u>4,970,000</u>	<u>4,380,000</u>		
Totals	<u>\$ 7,538,511</u>	<u>\$ 6,861,151</u>		
Net patient service revenue per calendar day	<u>\$ 153,449</u>	<u>\$ 149,556</u>		
Days net patient service revenue in accounts receivable	<u>49</u>	<u>46</u>		

ANALYSIS OF ALLOWANCE FOR UNCOLLECTIBLES

	<u>Amounts</u>		<u>Percent of net patient service revenue</u>	
	<u>Year ended June 30</u>		<u>Year ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
BALANCE , beginning	\$ 555,400	\$ 425,700		
ADD				
Provision for bad debts	869,977	575,102	1.6%	1.1%
DEDUCT				
Accounts written off	<u>(913,977)</u>	<u>(445,402)</u>	1.6%	0.8%
BALANCE , ending	<u>\$ 511,400</u>	<u>\$ 555,400</u>		

Jefferson County Hospital
d/b/a Jefferson County Health Center
PATIENT SERVICE REVENUE
Year ended June 30, 2023, with comparative totals for 2022

	2023			2022
	Inpatient	Outpatient	Total	Total
DAILY PATIENT SERVICES				
Medical and surgical	\$ 4,356,846	\$ —	\$ 4,356,846	\$ 5,033,825
Critical care unit	223,690	—	223,690	581,165
Swing bed	965,879	—	965,879	711,816
	<u>5,546,415</u>	<u>—</u>	<u>5,546,415</u>	<u>6,326,806</u>
OTHER NURSING SERVICES				
Operating and recovery rooms	1,559,513	10,864,070	12,423,583	11,784,928
Central supply	180,518	108,471	288,989	303,336
Emergency services	11,370	6,732,102	6,743,472	6,054,918
	<u>1,751,401</u>	<u>17,704,643</u>	<u>19,456,044</u>	<u>18,143,182</u>
OTHER PROFESSIONAL SERVICES				
Laboratory and blood bank	1,213,086	14,069,585	15,282,671	15,439,089
Electrocardiology	27,938	753,134	781,072	719,974
Radiology	187,994	4,255,324	4,443,318	3,865,765
CT scans	430,545	5,975,865	6,406,410	5,786,552
PET scans	—	253,634	253,634	161,694
Magnetic resonance imaging	188,589	3,349,840	3,538,429	3,187,461
Pharmacy	891,337	26,353,542	27,244,879	22,421,144
Anesthesiology	490,220	4,105,445	4,595,665	5,050,231
Respiratory therapy	604,301	438,921	1,043,222	1,196,125
Physical therapy	361,071	1,394,519	1,755,590	1,981,193
Speech therapy	56,730	341,302	398,032	274,265
Occupational therapy	265,983	440,748	706,731	608,441
Oncology	—	1,299,891	1,299,891	1,276,078
Medical arts	—	10,727,636	10,727,636	10,509,696
Physician clinic	—	1,316,351	1,316,351	1,450,457
Richland clinic	—	476,287	476,287	412,960
Sleep lab	—	818,247	818,247	847,980
Ophthalmology	—	820,021	820,021	790,182
Pediatrics	—	1,714	1,714	2,753
Rheumatology	—	466,640	466,640	298,400
	<u>4,717,794</u>	<u>77,658,646</u>	<u>82,376,440</u>	<u>76,280,440</u>
Totals	<u>\$12,015,610</u>	<u>\$95,363,289</u>	107,378,899	100,750,428
Charity care charges foregone, based on established rates			<u>(531,487)</u>	<u>(459,632)</u>
Total gross patient service revenue			106,847,412	100,290,796
Provisions for contractual and other adjustments			<u>(50,838,621)</u>	<u>(45,703,020)</u>
Net patient service revenue			<u>\$ 56,008,791</u>	<u>\$ 54,587,776</u>

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

	Year ended June 30	
	<u>2023</u>	<u>2022</u>
Contractual adjustments		
Medicare	\$27,985,197	\$25,945,659
Medicaid	7,094,301	6,445,207
Wellmark	10,570,191	9,407,871
Provision for bad debts	869,977	575,102
Discounts and other adjustments	<u>4,318,955</u>	<u>3,329,181</u>
Totals	<u>\$50,838,621</u>	<u>\$45,703,020</u>

OTHER REVENUE

	Year ended June 30	
	<u>2023</u>	<u>2022</u>
340(b) program revenue	\$1,744,345	\$1,692,019
Employee and guest meals	234,985	202,255
Specialty clinics rent	72,021	67,307
Rental income, net	136,653	132,578
Miscellaneous, net	<u>297,568</u>	<u>230,956</u>
Totals	<u>\$2,485,572</u>	<u>\$2,325,115</u>

Jefferson County Hospital
d/b/a Jefferson County Health Center
EXPENSES
Year ended June 30, 2023, with comparative totals for 2022

	2023			2022
	Salaries	Other	Total	Total Restated
NURSING SERVICE				
Administrative	\$ 334,706	\$ 16,223	\$ 350,929	\$ 372,521
Medical and surgical	2,561,746	1,342,031	3,903,777	4,669,254
Critical care unit	2,173	—	2,173	8,572
Operating and recovery rooms	1,081,190	1,511,375	2,592,565	2,663,214
Central supply	61,075	71,266	132,341	171,154
Emergency services	1,310,415	2,486,461	3,796,876	4,095,436
Total nursing service	<u>5,351,305</u>	<u>5,427,356</u>	<u>10,778,661</u>	<u>11,980,151</u>
OTHER PROFESSIONAL SERVICE				
Laboratory and blood bank	872,886	2,178,930	3,051,816	3,209,426
Electrocardiology	62,170	29,887	92,057	80,254
Radiology	895,853	594,562	1,490,415	1,556,569
CT scans	—	24,287	24,287	(7,565)
PET scans	—	70,513	70,513	54,645
Magnetic resonance imaging	—	193,612	193,612	231,781
Pharmacy	516,109	10,255,144	10,771,253	9,401,220
Anesthesiology	—	697,180	697,180	699,510
Ophthalmology	274,108	15,368	289,476	358,681
Respiratory therapy	264,699	41,827	306,526	307,308
Physical therapy	613,219	39,038	652,257	662,010
Speech therapy	167,412	5,566	172,978	106,137
Occupational therapy	231,640	4,021	235,661	232,620
Physicians clinic	1,259,857	57,442	1,317,299	1,728,721
Fairfield clinic	—	19,451	19,451	23,651
Richland clinic	263,145	49,610	312,755	349,330
Medical records	376,196	88,571	464,767	478,860
Quality assurance	370,822	8,580	379,402	372,895
Medical Arts	6,901,748	1,148,928	8,050,676	8,288,696
Sleep lab	134,965	24,367	159,332	161,484
Rheumatology	85,780	217,850	303,630	223,780
Oncology	405,062	913,320	1,318,382	1,240,454
GI Clinic	—	—	—	83
Dialysis	11,256	2,385	13,641	10,980
Total other professional service	<u>13,706,927</u>	<u>16,680,439</u>	<u>30,387,366</u>	<u>29,771,530</u>
GENERAL SERVICE				
Dietary	641,376	357,861	999,237	934,343
Plant operation and maintenance	510,845	1,543,287	2,054,132	1,855,437
Housekeeping	613,310	49,984	663,294	673,960
Laundry and linen	—	215,106	215,106	201,016
Total general service	<u>1,765,531</u>	<u>2,166,238</u>	<u>3,931,769</u>	<u>3,664,756</u>

Jefferson County Hospital
d/b/a Jefferson County Health Center
EXPENSES (continued)
Year ended June 30, 2023, with comparative totals for 2022

	2023			2022
	Salaries	Other	Total	Total
				Restated
FISCAL AND ADMINISTRATIVE SERVICE				
Administrative	724,978	232,948	957,926	934,409
Fiscal and accounting	1,049,869	1,001,475	2,051,344	1,856,383
Purchasing and stores	175,175	25,222	200,397	194,544
Public relations	71,216	88,719	159,935	174,624
Data processing	484,342	698,452	1,182,794	963,671
Human resources	236,115	68,901	305,016	173,653
UNASSIGNED EXPENSES				
Physician recruiting	—	96,407	96,407	140,837
Insurance	—	474,168	474,168	353,807
Employee benefits				
FICA	—	1,574,180	1,574,180	1,536,543
IPERS	—	452,835	452,835	(555,906)
Group health insurance	—	2,422,232	2,422,232	2,763,902
Group disability insurance	—	115,244	115,244	100,038
Workers' compensation	—	129,690	129,690	110,379
Other employee benefits	—	35,112	35,112	57,933
Total fiscal and administrative and unassigned expenses	<u>2,741,695</u>	<u>7,415,585</u>	<u>10,157,280</u>	<u>8,804,817</u>
PROVISION FOR DEPRECIATION AND AMORTIZATION	<u>—</u>	<u>3,996,055</u>	<u>3,996,055</u>	<u>3,929,350</u>
Total expenses	<u>\$23,565,458</u>	<u>\$35,685,673</u>	<u>\$59,251,131</u>	<u>\$58,150,604</u>

Other Information

Jefferson County Hospital
d/b/a Jefferson County Health Center
COMPARATIVE STATISTICS, UTILIZATION AND OTHER INFORMATION
(unaudited)

		Year ended June 30		
		2023	2022	2021
Staffed Beds		25	25	25
Patient Days	Adult and pediatric	2,001	2,785	2,106
	Swing bed	1,292	1,011	1,885
Admissions	Adult and pediatric	576	666	563
	Swing bed	133	88	130
Percent Occupancy	Adult and pediatric	21.93%	30.52%	23.08%
Outpatient Surgeries		1,008	1,124	1,081
Outpatient visits		133,708	137,435	126,627

Adopted County Budgets

Purpose	Budget year June 30			
	2024	2023	2022	2021
Ambulance	\$ 266,646	\$ 261,110	\$ 260,108	\$ 252,403
General	266,646	261,110	260,108	252,403
Insurance	—	—	—	—
FICA	378,510	370,648	371,838	380,982
IPERS	455,886	256,004	256,826	263,141
Total budget	<u>\$1,367,688</u>	<u>\$1,148,872</u>	<u>\$1,148,880</u>	<u>\$1,148,929</u>
Net Taxable Value (in thousands)	\$ 974,938	\$ 954,454	\$ 950,820	\$ 921,752

		Year ended June 30		
		2023	2022	2021
			Restated	
Key Operating Ratios	Net days revenue in accounts receivable	49	46	50
	Current ratio	2.64	2.77	3.60
	Debt service coverage ratio	1.32	1.81	3.04
	Ratio of operating expense to operating revenues	1.01	1.02	1.06
	Days cash on hand	81	108	136
Investment Position	Unrestricted cash and investments	<u>\$12,772,943</u>	<u>\$16,919,634</u>	<u>\$18,161,130</u>
	Cash operating expenses:			
	Total operating expenses	\$59,251,131	\$58,150,604	\$54,143,798
	Add: interest expense	484,048	547,252	643,792
	Less: Depreciation and amortization	(3,996,055)	(3,929,350)	(3,976,034)
	IPERS and OPEB adjustments	<u>1,664,649</u>	<u>2,624,460</u>	<u>(1,290,583)</u>
		<u>\$57,403,773</u>	<u>\$57,392,966</u>	<u>\$49,520,973</u>
	Daily cash expenses	<u>\$ 157,271</u>	<u>\$ 157,241</u>	<u>\$ 135,674</u>
	Days cash on hand	<u>81</u>	<u>108</u>	<u>134</u>



**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jefferson County Hospital d/b/a Jefferson County Health Center, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Health Center's basic financial statements, and have issued our report thereon dated October 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Health Center's internal control over financial reporting (internal control) as a basis for designing 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 Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Center's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health Center's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Health Center's operations for the year ended June 30, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Health Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

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


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 21, 2023

**Jefferson County Hospital
d/b/a Jefferson County Health Center
SCHEDULE OF FINDINGS
Year ended June 30, 2023**

Part I—Findings Related to the Financial Statements

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

Part II—Findings Related to Required Statutory Reporting

23-II-A CERTIFIED BUDGET

Based on a comparison of actual operating expenses with County Hospital budgeted basis expenditures, it appears the Health Center did not exceed its budget for the year ended June 30, 2023.

23-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Health Center funds were noted.

23-II-C TRAVEL EXPENSES

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

23-II-D BUSINESS TRANSACTIONS

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

23-II-E BOARD MINUTES

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

23-II-F DEPOSITS AND INVESTMENTS

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

23-II-G RESTRICTED DONOR ACTIVITY

No transactions were noted between the Hospital, Hospital officials, Hospital employees and restricted donors not in compliance with Chapter 68B of the Code of Iowa.