

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

**FINANCIAL REPORT**

**June 30, 2019 and 2018**

## C O N T E N T S

	<u>Page</u>
<b>OFFICIALS</b>	3
<b>INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS</b>	4-5
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	6-10
<b>FINANCIAL STATEMENTS</b>	
Statements of net position	11-12
Statements of revenues, expenses, and changes in net position	13
Statements of cash flows	14-15
Notes to financial statements	16-31
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedule of revenues, expenses and changes in net position, budget and actual	32
Schedule of changes in the Hospital's net OPEB liability, related ratios and notes	33
Schedule of the Hospital's proportionate share of the net pension liability	34
Schedule of Hospital pension contributions	35-36
Notes to required supplementary information – pension liability	37
<b>INDEPENDENT AUDITOR'S REPORT ON THE OTHER SUPPLEMENTARY INFORMATION</b>	38
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Analysis of patient receivables	39
Analysis of allowance for uncollectibles	39
Patient service revenue	40
Provisions for contractual and other adjustments	41
Other revenue	41
Expenses	42-43
Comparative statistics, utilization and other information	44
<b>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</b>	45-46
<b>SCHEDULE OF FINDINGS</b>	47

**Jefferson County Hospital  
d/b/a Jefferson County Health Center  
OFFICIALS  
June 30, 2019**

**BOARD OF TRUSTEES**

**Expiration of term**

**Officers**

Renee Rebling, Chair	December 31, 2022
Greg Hanshaw, Vice Chair	December 31, 2022
Merlin Miller, Secretary/Treasurer	December 31, 2020

**Members**

Julie Greeson	December 31, 2020
Trent Hammes	December 31, 2022
Bob Keller	December 31, 2022
Joneane Parker	December 31, 2020

**CHIEF EXECUTIVE OFFICER**

Bryan Hunger

**CHIEF FINANCIAL OFFICER**

Larry Peach



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Jefferson County Hospital d/b/a Jefferson County Health Center, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson County Hospital d/b/a Jefferson County Health Center, as of June 30, 2019 and 2018, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-10, and the supplementary schedules and notes on pages 32 through 37, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.



**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
October 31, 2019

**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, 2019 and 2018. 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>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Total assets	\$59,740,719	\$61,414,874	\$(1,674,155)
Total assets whose use is limited	2,129,409	2,017,615	111,794
Total capital assets	31,774,688	34,542,262	(2,767,574)
Total current and long-term debt	25,049,871	27,794,080	(2,744,209)
Total net position	18,304,270	20,638,405	(2,334,135)
Net patient service revenue	43,411,785	42,548,242	863,543
Total operating expenses	47,917,773	46,732,534	1,185,239

**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

	<b>June 30</b>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	\$24,458,111	\$23,875,852	\$24,901,290
Noncurrent assets whose use is limited	328,202	325,085	314,197
Capital assets	31,774,688	34,542,262	37,533,739
Other assets	3,179,718	2,671,675	1,710,274
Deferred outflows of resources	<u>6,025,850</u>	<u>6,517,113</u>	<u>5,440,289</u>
Total assets and deferred outflows of resources	<u>\$65,766,569</u>	<u>\$67,931,987</u>	<u>\$69,899,789</u>
Current liabilities	\$ 9,042,365	\$ 6,987,866	\$ 6,650,602
Noncurrent liabilities	36,574,958	38,986,880	39,397,034
Deferred inflows of resources	1,844,976	1,318,836	1,161,555
Net position	<u>18,304,270</u>	<u>20,638,405</u>	<u>22,690,598</u>
Total liabilities, deferred inflows of resources and net position	<u>\$65,766,569</u>	<u>\$67,931,987</u>	<u>\$69,899,789</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

	<b>Year ended June 30</b>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total revenue	\$44,858,641	\$44,322,633	\$44,380,371
Total expenses	<u>47,917,773</u>	<u>46,732,534</u>	<u>43,643,177</u>
Operating income (loss)	(3,059,132)	(2,409,901)	737,194
Total nonoperating gains and contributions	<u>724,997</u>	<u>482,126</u>	<u>120,779</u>
Change in net position	(2,334,135)	(1,927,775)	857,973
Total net position, beginning	<u>20,638,405</u>	<u>22,566,180</u>	<u>21,832,625</u>
Total net position, ending	<u>\$18,304,270</u>	<u>\$20,638,405</u>	<u>\$22,690,598</u>

## Operating and Financial Performance

The following summarizes the Health Center's statements of revenues, expenses and changes in net position between June 30, 2019 and 2018.

### 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 2019, 2018 and 2017.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Volume</b>			
Patient days			
Adult and pediatric	1,604	1,468	1,683
Swing bed	1,840	1,893	2,407
Discharges			
Adult and pediatric	450	417	495
Swing bed	156	175	216
Average length of stay			
Adult and pediatric	3.6	3.5	3.4
Swing bed	11.8	10.8	11.1
<b>Gross revenue</b>			
Inpatient	\$11,962,380	\$9,577,784	\$11,327,636
Outpatient	68,001,830	63,248,344	65,662,587
<b>Contractual and other adjustments</b>			
Percent of gross revenue	45%	41%	43%
<b>Payor mix by percentage</b>			
Medicare	55%	53%	52%
Medicaid	14	16	16
Commercial insurance	30	30	30
All other	<u>1</u>	<u>1</u>	<u>2</u>
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 2019, 2018 and 2017.

	<u>2019</u>		<u>2018</u>		<u>2017</u>	
Salaries	\$17,180,212	35%	\$17,431,694	37%	\$16,339,231	37%
Supplies and other expenses	26,619,783	55	25,313,444	53	23,731,227	53
Depreciation and amortization	4,117,778	8	3,987,396	8	3,572,719	8
Interest and amortization	<u>758,221</u>	<u>2</u>	<u>835,581</u>	<u>2</u>	<u>1,040,316</u>	<u>2</u>
Total	<u>\$48,675,994</u>	<u>100%</u>	<u>\$47,568,115</u>	<u>100%</u>	<u>\$44,683,493</u>	<u>100%</u>

### Nonoperating Gains

Nonoperating gains were \$702,877 in 2019 compared to \$436,906 in 2018. County taxes and equity in income of joint venture investments represent the majority of the nonoperating gains.



## Capital Assets

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

<b>Capital Assets</b>	<b>June 30</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Property and equipment, gross	\$ 65,935,617	\$65,097,320	\$63,435,468
Less accumulated depreciation	<u>34,160,929</u>	<u>30,555,058</u>	<u>26,666,257</u>
Net capital assets	<u>\$31,774,688</u>	<u>\$34,542,262</u>	<u>\$36,769,211</u>
Acquisitions of capital assets during the year	\$ 1,322,972	\$ 1,681,801	\$ 8,185,730
Disposal of capital assets during the year	<u>484,675</u>	<u>19,949</u>	<u>—</u>
Increase (decrease) in property and equipment, gross	<u>\$ 838,297</u>	<u>\$ 1,661,852</u>	<u>\$ 8,185,730</u>

## Debt Administration

The changes in long-term debt for 2019, 2018 and 2017 are shown below. More detailed information about the Health Center's outstanding debt is presented in the Note to Financial Statements.

<b>Long-term Debt</b>	<b>Year ended June 30</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$27,833,384	\$30,513,513	\$32,360,000
Additions	—	—	31,454,000
Principal payments	<u>(2,750,760)</u>	<u>(2,680,129)</u>	<u>(33,300,487)</u>
Ending balance	<u>\$25,082,624</u>	<u>\$27,833,384</u>	<u>\$30,513,513</u>
Long-term debt as a percentage of total liabilities	55%	61%	66%

## 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 2019 actual budget basis financial information to its annual County Hospital budget is presented below.

<b>Actual vs Budget</b>	<b>Actual budget basis</b>	<b>Annual County Hospital budget</b>	<b>Variance</b>
Amount to be raised by taxation	\$ 853,888	\$ 828,018	\$ 25,870
Other revenues/receipts	<u>45,487,971</u>	<u>50,168,546</u>	<u>(4,680,575)</u>
	46,341,859	50,996,564	(4,654,705)
Expenses/expenditures	<u>47,330,635</u>	<u>50,915,900</u>	<u>(3,585,265)</u>
Net	<u>\$ (988,776)</u>	<u>\$ 80,664</u>	<u>\$ (1,069,440)</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 2020 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**

	<b>June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>CURRENT ASSETS</b>		
Cash	\$12,894,237	\$ 9,768,420
Assets whose use is limited, required for current liabilities	1,801,207	1,692,530
Patient receivables, less allowance for contractual adjustments and bad debts	7,259,378	8,016,094
Other receivables	147,557	62,313
Estimated third-party payor settlements	-	1,700,000
Inventories	846,227	1,042,176
Prepaid expenses	376,505	539,319
Succeeding year property tax receivable	<u>1,133,000</u>	<u>1,055,000</u>
Total current assets	<u>24,458,111</u>	<u>23,875,852</u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
Restricted by bond indenture agreement		
Cash and cash equivalents	1,801,207	1,692,530
Restricted by donors for specific purposes		
Cash and cash equivalents	<u>328,202</u>	<u>325,085</u>
Total assets whose use is limited	<u>2,129,409</u>	<u>2,017,615</u>
Less assets whose use is limited, required for current liabilities	<u>1,801,207</u>	<u>1,692,530</u>
Noncurrent assets whose use is limited	<u>328,202</u>	<u>325,085</u>
<b>CAPITAL ASSETS</b>	65,935,617	65,097,320
Less accumulated depreciation and amortization	<u>34,160,929</u>	<u>30,555,058</u>
Total capital assets	<u>31,774,688</u>	<u>34,542,262</u>
<b>OTHER ASSETS</b>		
Acquired intangible assets, net	567,338	665,933
Other receivables	1,640,893	1,230,455
Investment in joint ventures	<u>971,487</u>	<u>775,287</u>
Total other assets	<u>3,179,718</u>	<u>2,671,675</u>
<b>Total assets</b>	<u>59,740,719</u>	<u>61,414,874</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related deferred outflows	6,025,850	6,508,197
OPEB related deferred outflows	<u>-</u>	<u>8,916</u>
<b>Total deferred outflows of resources</b>	<u>6,025,850</u>	<u>6,517,113</u>
Total assets and deferred outflows of resources	<u>\$67,766,569</u>	<u>\$67,931,987</u>

See Notes to Financial Statements.

	<b>June 30</b>	
	<u>2019</u>	<u>2018</u>
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 2,831,562	\$ 2,750,760
Accounts payable	3,219,574	1,988,810
Accrued employee compensation	1,669,262	1,601,914
Payroll taxes and withholdings	383,595	376,830
Accrued interest	238,372	269,552
Estimated third-party payor settlements	700,000	—
Total current liabilities	<u>9,042,365</u>	<u>6,987,866</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, less current maturities	22,218,309	25,043,320
Net pension liability	14,217,224	13,807,020
Net OPEB liability	<u>139,425</u>	<u>136,540</u>
Total long-term liabilities	<u>36,574,958</u>	<u>38,986,880</u>
<b>Total liabilities</b>	<u>45,617,323</u>	<u>45,974,746</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable property tax revenue	1,133,000	1,055,000
Pension related deferred inflows	<u>711,976</u>	<u>263,836</u>
Total deferred inflows of resources	<u>1,844,976</u>	<u>1,318,836</u>
<b>NET POSITION</b>		
Net investment in capital assets	6,724,817	7,414,115
Restricted		
By bond indenture agreement	1,801,207	1,692,530
For specific purpose by donors	328,202	325,085
Unrestricted	<u>9,450,044</u>	<u>11,206,675</u>
Total net position	<u>18,304,270</u>	<u>20,638,405</u>
Total liabilities and deferred inflows of resources	<u>\$65,766,569</u>	<u>\$67,931,987</u>

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

	<u>Year ended June 30</u>	
	<u>2019</u>	<u>2018</u>
<b>NET PATIENT SERVICE REVENUE</b> , net of provision for bad debts 2019 \$1,505,945; 2018 \$826,629	\$43,411,785	\$42,548,242
<b>OTHER REVENUE</b>	<u>1,446,856</u>	<u>1,774,391</u>
Total revenue	<u>44,858,641</u>	<u>44,322,633</u>
<b>OPERATING EXPENSES</b>		
Nursing service	7,983,499	7,723,858
Other professional service	22,389,494	21,681,541
General service	2,763,378	2,793,271
Fiscal and administrative service and unassigned expenses	10,663,624	10,546,468
Provision for depreciation and amortization	<u>4,117,778</u>	<u>3,987,396</u>
Total expenses	<u>47,917,773</u>	<u>46,732,534</u>
Operating (loss)	<u>(3,059,132)</u>	<u>(2,409,901)</u>
<b>NONOPERATING GAINS (LOSSES)</b>		
County taxes	853,888	831,082
Investment income	135,005	51,230
Interest and amortization expense	(758,221)	(835,581)
Equity in income of joint venture investments	496,200	386,335
Gain (loss) on sale of property and equipment	<u>(23,995)</u>	<u>3,840</u>
Total nonoperating gains (losses)	<u>702,877</u>	<u>436,906</u>
(Deficiency) of revenues over expenses before contributions	<u>(2,356,255)</u>	<u>(1,972,995)</u>
<b>CONTRIBUTIONS</b>		
Change in net position	<u>22,120</u>	<u>45,220</u>
	<u>(2,334,135)</u>	<u>(1,927,775)</u>
<b>TOTAL NET POSITION</b>		
Beginning	<u>20,638,405</u>	<u>22,566,180</u>
Ending	<u>\$18,304,270</u>	<u>\$20,638,405</u>

See Notes to Financial Statements.

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

	<b>Year ended June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from patients and third-party payors	\$46,568,501	\$41,088,880
Cash paid to suppliers for goods and services	(24,166,681)	(24,057,239)
Cash paid to employees for services	(17,112,864)	(15,918,781)
Other operating revenue received	<u>1,446,856</u>	<u>1,215,466</u>
Net cash flows from operating activities	<u>6,735,812</u>	<u>2,328,326</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
County taxes received	<u>853,888</u>	<u>829,688</u>
Net cash flows from noncapital financing activities	<u>853,888</u>	<u>829,688</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets and construction in progress	(1,319,374)	(1,843,430)
Principal payments on long-term debt	(2,750,760)	(2,680,129)
Proceeds from sale of capital assets	43,770	3,840
Interest paid on long-term debt	(782,850)	(863,679)
Contributions restricted for purchase of capital assets	<u>22,120</u>	<u>45,220</u>
Net cash flows from capital and related financing activities	<u>(4,787,094)</u>	<u>(5,338,178)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Distributions from investments in joint ventures	300,000	500,000
Investment income received	<u>135,005</u>	<u>51,230</u>
Net cash flows from investing activities	<u>435,005</u>	<u>551,230</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	3,237,611	(1,628,934)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>11,786,035</u>	<u>13,414,969</u>
Ending	<u>\$15,023,646</u>	<u>\$11,786,035</u>

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

	<u>Year ended June 30</u>	
	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating (loss)	\$ (3,059,132)	\$ (2,409,901)
Adjustments to reconcile operating (loss) to net cash flows from operating activities		
Provision for depreciation and amortization	4,117,778	3,987,396
Change in assets, liabilities, deferred outflows and deferred inflows		
Patient receivables	756,716	1,142,716
Other receivables, net of noncapital financing activities	(495,682)	(350,054)
Inventories	195,949	(60,041)
Prepaid expenses	162,814	(54,744)
Deferred outflows of resources	491,263	(1,076,824)
Accounts payable, net of capital assets payable	1,230,764	1,052,915
Accrued employee compensation	67,348	226,025
Payroll taxes and withholdings	6,765	203,920
Net estimated third-party payor settlements	2,400,000	(2,700,000)
Net pension liability	410,204	2,197,515
Deferred inflows of resources	448,140	157,281
Net OPEB liability	<u>2,885</u>	<u>12,122</u>
Net cash flows from operating activities	<u>\$ 6,735,812</u>	<u>\$ 2,328,326</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</b>		
Per statement of net position		
Current assets	\$12,894,237	\$ 9,768,420
Assets whose use is limited		
Restricted by bond indenture agreement	1,801,207	1,692,530
Restricted by donors for specific purpose	<u>328,202</u>	<u>325,085</u>
Total per statement of cash flows	<u>\$15,023,646</u>	<u>\$11,786,035</u>

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

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

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

**Measurement Focus and Basis of Accounting**

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

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

**Accounting Standards**

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

**Cash and Cash Equivalents**

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

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

**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.

**Net Pension Liability**

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

**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 Hospital'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 expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

**Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statement of net position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of items related to the Hospital's pension plan and OPEB.

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

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 debt that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted**

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

**Unrestricted**

Unrestricted net position has no externally imposed restrictions on use.

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

**Charity Care**

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

**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. Peripheral or incidental transactions are reported as nonoperating gains and losses.

**Costs of Borrowing**

Costs of borrowing are expensed in the year incurred.

**Credit Policy**

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

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

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accounting Estimates and Assumptions**

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

**Reclassifications**

Certain reclassifications have been made to the 2018 financial statements in order to conform to the 2019 presentation with no effect on the change in net position.

**NOTE 2 CASH AND INVESTMENTS**

The Hospital's deposits in banks at June 30, 2019 were covered by federal depository insurance, or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

**NOTE 3 PATIENT RECEIVABLES**

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

	<b>June 30</b>	
	<b>2019</b>	<b>2018</b>
Receivable from patients	\$ 2,127,629	\$ 2,917,682
Receivable from insurance carriers	3,346,719	3,276,613
Receivable from Medicare	4,354,313	4,412,289
Receivable from Medicaid	<u>873,717</u>	<u>1,271,642</u>
Total patient receivables	10,702,378	11,878,226
Less allowances for contractual and other adjustments	<u>(3,443,000)</u>	<u>(3,862,132)</u>
 Totals	 <u>\$ 7,259,378</u>	 <u>\$ 8,016,094</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, 2019 and 2018:

	<u>Year ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Balance, beginning	\$1,692,530	\$1,687,322
Deposits	3,420,834	3,331,750
Investment income	10,711	6,540
Principal payments	(2,560,000)	(2,495,000)
Interest payments	(762,868)	(838,066)
Fees	<u>—</u>	<u>(16)</u>
Balance, ending	<u>\$1,801,207</u>	<u>\$1,692,530</u>

**NOTE 5 CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2019 and 2018 follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2019</u>
Land	\$ 1,168,335	\$ —	\$ —	\$ —	\$ 1,168,335
Land improvements	2,549,097	—	—	—	2,549,097
Buildings	42,655,458	32,946	—	87,376	42,775,780
Equipment	18,664,647	612,230	(481,077)	636,136	19,431,936
Construction and equipment installations in progress	<u>59,783</u>	<u>677,796</u>	<u>(3,598)</u>	<u>(723,512)</u>	<u>10,469</u>
Totals	65,097,320	1,322,972	(484,675)	—	65,935,617
Less accumulated depreciation	<u>(30,555,058)</u>	<u>(4,019,183)</u>	<u>413,312</u>	<u>—</u>	<u>(34,160,929)</u>
Net capital assets	<u>\$34,542,262</u>	<u>\$(2,696,211)</u>	<u>\$( 71,363)</u>	<u>\$ —</u>	<u>\$31,774,688</u>

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2018</u>
Land	\$ 1,168,335	\$ —	\$ —	\$ —	\$ 1,168,335
Land improvements	2,297,758	—	—	251,339	2,549,097
Buildings	36,522,099	—	—	6,133,359	42,655,458
Equipment	17,545,605	683,927	—	435,115	18,664,647
Construction and equipment installations in progress	<u>5,901,671</u>	<u>997,874</u>	<u>(19,949)</u>	<u>(6,819,813)</u>	<u>59,783</u>
Totals	63,435,468	1,681,801	(19,949)	—	65,097,320
Less accumulated depreciation	<u>(26,666,257)</u>	<u>(3,888,801)</u>	<u>—</u>	<u>—</u>	<u>(30,555,058)</u>
Net capital assets	<u>\$36,769,211</u>	<u>\$(2,207,000)</u>	<u>\$(19,949)</u>	<u>\$ —</u>	<u>\$34,542,262</u>

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

**NOTE 6 LONG TERM DEBT**

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

- Jefferson County Hospital Revenue Refunding Bonds, Series 2016A dated August 1, 2016. The bonds mature serially through August 2020. Interest is payable February 1 and August 1 each year at an annual rate of 3%. The bonds are callable at the option of the Hospital at par plus accrued interest. The balance at June 30, 2019 is \$2,410,000.
- Jefferson County Hospital Revenue Refunding Bonds, Series 2016B dated August 1, 2016. The bonds mature serially through August 2028. Interest is payable February 1 and August 1 each year at the annual rate of 3%. The bonds are callable at the option of the Hospital at par plus accrued interest. The balance at June 30, 2019 is \$18,415,000.
- Jefferson County Hospital Revenue Bonds, Series 2017 dated January 3, 2017. The bonds mature serially through August 2023. Interest is payable on February 1 and August 1 each year at annual rates ranging from 2% to 2.8%. Bonds maturing on or after August 1, 2020 are subject to redemption. The balance at June 30, 2019 is \$3,720,000.

At June 30, 2019, the debt service coverage ratio was 1.19 which was below the required 1.25. As a result of the covenant violation, the Hospital may be required to hire an independent consultant to make recommendations in order to increase the ratio in future periods. The agreements also require the maintenance of certain funds during the term of the agreements (See Note 4).

The Hospital entered into a capital lease agreement related to an MRI unit. The lease is payable in monthly installments of \$17,500 including interest at approximately 3%. The lease is payable through February 2022. The balance on the agreement is \$537,624 at June 30, 2019. The agreement is collateralized by leased equipment.

As to the above Hospital Revenue Bonds, the Hospital has pledged all future revenue to pay the principal and interest. The Bonds were issued to finance capital improvements of the Hospital and to provide financing for the constructing and equipping of a replacement hospital. The revenues are pledged through August 2028. The remaining principal and interest on the obligations as of June 30, 2019 is approximately \$28,000,000 based on the payment schedules as of June 30, 2019. The following is a comparison of the pledged revenues and the principal and interest requirements of the Bonds for the years ended June 30, 2019 and 2018:

	<b>Year ended June 30</b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Change in net position	\$(2,334,135)	\$(1,927,775)
Provision for depreciation and amortization	4,117,778	3,987,396
Interest and amortization expense	758,221	810,710
IPERS and OPEB adjustments	1,345,359	1,258,114
(Gain) loss on sale of property	<u>23,995</u>	<u>(3,840)</u>
 Pledged revenues	 <u>\$3,911,218</u>	 <u>\$4,124,605</u>
 Principal and interest requirements	 <u>\$3,292,430</u>	 <u>\$2,531,826</u>

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

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

**NOTE 6 LONG TERM DEBT (continued)**

Principal and interest maturities of long-term debt at June 30, 2019 are summarized as follows:

<u>Year ending June 30</u>	<u>Revenue Bonds</u>		<u>Equipment Note</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>
2020	\$ 2,635,000	\$ 693,690	\$ 196,562	\$ 13,438	\$ 2,831,562	\$ 707,128	\$ 3,538,690
2021	2,710,000	620,234	202,540	7,460	2,912,540	627,694	3,540,234
2022	2,790,000	542,951	138,522	1,478	2,928,522	544,429	3,472,951
2023	2,865,000	462,145	—	—	2,865,000	462,145	3,327,145
2024	2,950,000	377,745	—	—	2,950,000	377,745	3,327,745
2025-2029	<u>10,595,000</u>	<u>826,800</u>	<u>—</u>	<u>—</u>	<u>10,595,000</u>	<u>826,800</u>	<u>11,421,800</u>
Total	24,545,000	3,523,565	537,624	22,376	25,082,624	3,545,941	28,628,565
Less current maturities	2,635,000	693,690	196,562	13,438	2,831,562	707,128	3,538,690
Less discount	<u>32,753</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>32,753</u>	<u>—</u>	<u>32,753</u>
Total long-term debt	<u>\$21,877,247</u>	<u>\$2,829,875</u>	<u>\$ 341,062</u>	<u>\$ 8,938</u>	<u>\$22,218,309</u>	<u>\$2,838,813</u>	<u>\$25,057,122</u>

A summary of changes in long-term debt for the year ended June 30, 2019 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 2016A)	\$ 4,275,000	\$ —	\$1,865,000	\$ 2,410,000	\$1,925,000
Hospital Revenue Bonds (Series 2016B)	18,415,000	—	—	18,415,000	—
Hospital Revenue Bonds (Series 2017)	4,415,000	—	695,000	3,720,000	710,000
Capital lease payable	<u>728,384</u>	<u>—</u>	<u>190,760</u>	<u>537,624</u>	<u>196,562</u>
Totals	<u>\$27,833,384</u>	<u>\$ —</u>	<u>\$2,750,760</u>	<u>\$25,082,624</u>	<u>\$2,831,562</u>

A summary of changes in long-term debt for the year ended June 30, 2018 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 2016A)	\$ 6,090,000	\$ —	\$1,815,000	\$ 4,275,000	\$1,865,000
Hospital Revenue Bonds (Series 2016B)	18,415,000	—	—	18,415,000	—
Hospital Revenue Bonds (Series 2017)	5,095,000	—	680,000	4,415,000	695,000
Capital lease payable	<u>913,513</u>	<u>—</u>	<u>185,129</u>	<u>728,384</u>	<u>190,760</u>
Totals	<u>\$30,513,513</u>	<u>\$ —</u>	<u>\$2,680,129</u>	<u>\$27,833,384</u>	<u>\$2,750,760</u>

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

**NOTE 7 NET PATIENT SERVICE REVENUE**

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

**Medicare and Medicaid**

The Hospital is designated as a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. The Iowa Medicaid Program has transitioned management of the program to managed care organizations. The Hospital's classification of patients under the programs and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2017.

**Other**

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

**NOTE 8 CHARITY CARE**

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2019 and 2018.

	<b>2019</b>	<b>2018</b>
Charges foregone, based on established rates	\$ <u>286,697</u>	\$ <u>489,736</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 Hospital, 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](http://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)**

In fiscal years 2019, pursuant to the required rate, Regular members contributed 6.29 percent of pay and the Hospital contributed 9.44 percent for a total rate of 15.73 percent. Protection occupation members contributed 6.81 percent of pay and the Hospital contributed 10.21 percent for a total rate of 17.02 percent.

The Hospital's contributions to IPERS for the years ended June 30, 2019 and 2018 were \$1,594,743 and \$1,501,180, respectively.

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

At June 30, 2019 and 2018, the Hospital reported a liability of \$14,217,224 and \$13,807,020, respectively, for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the Hospital's proportionate share:

	<b>Measurement Date June 30</b>		<b>Change</b>
	<b>2018</b>	<b>2017</b>	
	Hospital's proportionate share	0.224663%	

For the years ended June 30, 2019 and 2018, the Hospital recognized pension expense of \$2,935,434 and \$2,832,411, respectively. At June 30, 2019 and 2018, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Pension Related Deferred</b>			
	<b>Outflows of Resources</b>		<b>Inflows of Resources</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Difference between expected and actual experience	\$ 77,951	\$ 126,762	\$ 321,332	\$ 119,627
Change in assumptions	2,028,175	2,399,023	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	390,644	144,209
Change in proportion and difference between Hospital contributions and proportionate share of contributions	2,324,981	2,481,232	-	-
Hospital contributions subsequent to the measurement date	<u>1,594,743</u>	<u>1,501,180</u>	<u>-</u>	<u>-</u>
Totals	<u>\$6,025,850</u>	<u>\$6,508,197</u>	<u>\$ 711,976</u>	<u>\$ 263,836</u>

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

**NOTE 9 PENSION PLAN (continued)**

\$1,594,743 reported as deferred outflows of resources related to pensions resulting from the Hospital contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ending June 30,**

2020	\$1,901,566
2021	1,175,655
2022	364,373
2023	239,550
2024	<u>37,987</u>
Totals	<u>\$3,719,131</u>

There were no non-employer contributing entities at IPERS.

**Actuarial Assumptions**

The total pension liability in the June 30, 2018 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

Mortality rates were based on the family of RP-2014 Mortality Tables for all groups, with mortality improvements modeled using Scale MP-2017.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core-plus fixed income	27.0	1.97
Private credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	<u>3.0</u>	3.11
Total	<u>100.0%</u>	

**Discount Rate**

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

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

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

	<u>1% Decrease (6%)</u>	<u>Discount Rate (7%)</u>	<u>1% Increase (8%)</u>
Health Center's proportionate share of the net pension liability	<u>\$24,129,486</u>	<u>\$14,217,224</u>	<u>\$5,902,309</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](http://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, 2019 and 2018, the Hospital reported payables to the defined benefit pension plan of approximately \$65,000 and \$57,000, respectively, for legally required employer contributions and \$-0- at each of June 30, 2019 and 2018 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**NOTE 10 CONTINGENCIES**

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

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

Incidents occurring through June 30, 2019 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 Hospital has developed a self-insured health insurance program for all employees. Claims for health care services for employees and their families are accrued when incurred. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$65,000 per person, with an aggregate stop-loss provision for the plan as a whole of approximately \$2,400,000. Total expense, which includes claims, administration fees, and stop-loss insurance, under this self-insurance program for the years ended June 30, 2019 and 2018 was \$2,217,073 and \$2,119,725, respectively.

**NOTE 12 HOSPITAL RISK MANAGEMENT**

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

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

This fund was established through a donation received from Robert A. Ryan, M.D. The investment is to be maintained in perpetuity and the income only to be used for a nursing scholarship for a member of the senior class graduating from Fairfield High School, Fairfield, Iowa or from another high school in the area. At June 30, 2019 and 2018, the balance of the fund was \$69,626 and \$67,364, 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, 2019 and 2018, the balance of the fund was \$258,576 and \$257,721, respectively.

**NOTE 15 INVESTMENT IN JOINT VENTURES**

The Hospital has varying interests in several joint ventures engaged in providing various health care services. The investments are accounted for using the equity method. The Hospital has recorded its share of the joint ventures' income of \$496,200 in 2019 and \$386,335 in 2018.

**NOTE 16 ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS**

The Hospital has met the EHR meaningful use criteria and has received payments from the Medicare and Medicaid programs. Payments received and included in other revenue total \$25,500 and \$141,669 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 17 OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

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

**OPEB Benefits**

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

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

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>199</u>
Total	<u>200</u>

**Net OPEB Liability**

The Hospital's Net OPEB liability of \$139,425 and \$136,540 was measured as of June 30, 2019 and 2018, respectively, and was determined by an actuarial valuation as of July 1, 2017 and June 30, 2019.

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

**NOTE 17 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

**Actuarial Assumptions**

The Net OPEB liability as of June 30, 2019 was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	2.60% per year
Rates of salary increase	3.25% per year
Discount rate	3.5% per annum
Healthcare cost trend rate	7.5% initially, decreasing by .5% per year to an ultimate rate of 4%.

The discount rate used to measure the Net OPEB liability was 3.5% 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.

Mortality rates were based on the RP-2014 annuitant distinct mortality table adjusted to 2018 with MP 2018 generational projection of future mortality improvement.

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

**Changes in Net OPEB Liability**

	<b>Year ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Net OPEB liability, beginning of year	\$ 136,540	\$ 124,418
Changes for the year		
Service cost	14,878	8,439
Interest on the Net OPEB liability	5,687	4,551
Changes in benefit terms	-	-
Differences between expected and actual experience	(11,889)	(2,494)
Changes in assumptions or other inputs	3,220	13,193
Benefit payments	<u>(9,011)</u>	<u>(11,567)</u>
Net OPEB liability, end of year	<u>\$ 139,425</u>	<u>\$ 136,540</u>

Changes in assumptions or other inputs for the year ended June 30, 2019 includes a change in the discount rate from 3.87% in fiscal year 2018 to 3.5% in fiscal year 2019.

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

The following presents the Net OPEB liability of the Hospital, as well as what the Hospital's Net OPEB liability would be if it were calculated using a discount rate that is 1% lower, 2.5%, or 1% higher, 4.5%, than the current discount rate.

	<b>1% Decrease <u>2.5%</u></b>	<b>Discount Rate <u>3.5%</u></b>	<b>1% Increase <u>4.5%</u></b>
Hospital's Net OPEB liability	<u>\$ 148,498</u>	<u>\$ 139,425</u>	<u>\$ 130,565</u>

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

**NOTE 17 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

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

The following presents the Net OPEB liability of the Hospital, as well as what the Hospital's Net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower, 6.5% or 1% higher, 8.5% than the current healthcare cost trend rates.

	<b>1% Decrease 6.5%</b>	<b>Trend Rate 7.5%</b>	<b>1% Increase 8.5%</b>
Hospital's Net OPEB liability	\$ <u>121,714</u>	\$ <u>139,425</u>	\$ <u>160,836</u>

**OPEB Expense**

For the years ended June 30, 2019 and 2018, the Hospital recognized OPEB expense of \$20,812 and \$14,773, respectively.

**NOTE 18 TAX ABATEMENTS**

The City of Fairfield, Iowa has entered into certain tax abatement agreements to encourage urban renewal projects in designated areas. As a result, property tax revenues available to the Health Center were reduced by \$3,741 and \$3,286 for the years ended June 30, 2019 and 2018, respectively, under the agreements entered into by the City.

**NOTE 19 OTHER RECEIVABLES**

The Hospital has recorded as other receivables amounts loaned to physicians. The loans are collateralized by insurance loan agreements on insurance policies owned by the physicians where the Hospital has been assigned an interest by an instrument of assignment filed with an insurance company. The loans will be repaid by proceeds of the life insurance policies in a future period which cannot be determined as of June 30, 2019.

**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, 2019**

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

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	\$ 853,888	\$ -	\$ 853,888	\$ 828,018
Other revenue/receipts	<u>44,729,750</u>	<u>758,221</u>	<u>45,487,971</u>	<u>50,168,546</u>
	45,583,638	758,221	46,341,859	50,996,564
Expenses/expenditures	<u>47,917,773</u>	<u>(587,138)</u>	<u>47,330,635</u>	<u>50,915,900</u>
Net	(2,334,135)	1,345,359	(988,776)	80,664
Balance, beginning	<u>20,638,405</u>	<u>7,697,416</u>	<u>28,335,821</u>	<u>22,832,819</u>
Balance, ending	<u>\$18,304,270</u>	<u>\$9,042,775</u>	<u>\$27,347,045</u>	<u>\$22,913,483</u>



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

	<b>Year ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Service cost	\$ 14,878	\$ 8,439
Interest cost	5,687	4,551
Differences between expected and actual experience	(11,889)	(2,494)
Changes in assumptions or other inputs	3,220	13,193
Benefit payments	(9,011)	(11,567)
Net change in Net OPEB liability	2,885	12,122
Net OPEB liability, beginning of year, as restated	136,540	124,418
Net OPEB liability, end of year	\$ 139,425	\$ 136,540
Covered-employee payroll	\$11,554,734	\$11,191,026
Net OPEB liability as a percentage of covered-employee payroll	1.2%	1.2%

**Notes to Schedule**

Changes in benefit terms

There were no significant changes in benefit terms.

Changes in assumptions or other inputs

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

Year ended June 30, 2018	3.87%
Year ended June 30, 2019	3.5%

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

	<b>Year ended June 30</b>				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Hospital's proportion of the net pension liability	0.224663%	0.207273%	0.184474%	0.166762%	0.138837%
Hospital's proportionate share of the net pension liability	\$14,217	\$13,807	\$11,610	\$8,239	\$5,506
Hospital's total payroll	\$17,180	\$17,432	\$16,339	\$14,037	\$12,176
Hospital's proportionate share of the net pension liability as a percentage of its total payroll	83%	79%	71%	59%	45%
Plan fiduciary net position as a percentage of the total pension liability	83%	82%	81%	85%	88%

See accompanying notes to required supplementary information - pension liability.

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

	<u>Year ended June 30</u>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 1,595	\$ 1,501	\$ 1,386	\$ 1,187
Contributions in relation to the statutorily required contribution	<u>1,595</u>	<u>1,501</u>	<u>1,386</u>	<u>1,187</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Hospital's total payroll	\$17,180	\$17,432	\$16,339	\$14,037
Contributions as a percentage of covered-employee payroll	9.3%	8.6%	8.5%	8.5%

See accompanying notes to required supplementary information - pension liability.

<b>Year ended June 30</b>					
<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
\$ 1,063	\$ 841	\$ 728	\$ 647	\$ 515	\$ 468
<u>1,063</u>	<u>841</u>	<u>728</u>	<u>647</u>	<u>515</u>	<u>468</u>
\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
\$12,176	\$9,554	\$8,625	\$8,068	\$7,414	\$7,316
8.7%	8.8%	8.4%	8.0%	6.9%	6.4%

**Jefferson County Hospital  
d/b/a Jefferson County Health Center  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY  
Year ended June 30, 2019**

**CHANGES OF BENEFIT TERMS**

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

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

**CHANGES OF ASSUMPTIONS**

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

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

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

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



**INDEPENDENT AUDITOR'S REPORT ON THE  
OTHER SUPPLEMENTARY INFORMATION**

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

We have audited the financial statements of Jefferson County Hospital d/b/a Jefferson County Health Center as of and for the years ended June 30, 2019 and 2018, and our report thereon dated October 31, 2019, which appears on pages 4 and 5, expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The following supplementary information, which is the responsibility of management, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it. We previously audited the years ended June 30, 2015 through 2016, and expressed unmodified opinions on those financial statements.

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

West Des Moines, Iowa  
October 31, 2019

**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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
0 – 30 days (includes patients in Hospital at end of year)	\$ 6,492,837	\$ 6,570,240	60.7%	55.3%
31 – 60 days	1,453,579	1,670,163	13.6	14.1
61 – 90 days	625,004	636,938	5.8	5.4
Over 90 days	<u>2,130,958</u>	<u>3,000,885</u>	<u>19.9</u>	<u>25.2</u>
	<u>10,702,378</u>	<u>11,878,226</u>	<u>100.0%</u>	<u>100.0%</u>
Allowances				
Contractual				
Medicare	1,673,000	1,769,200		
Medicaid	420,200	538,000		
Commercial insurance	861,100	795,400		
Uncollectibles	378,100	629,932		
Physician Clinics	<u>110,600</u>	<u>129,600</u>		
Total allowances	<u>3,443,000</u>	<u>3,862,132</u>		
Totals	<u>\$ 7,259,378</u>	<u>\$ 8,016,094</u>		
Net patient service revenue per calendar day	<u>\$ 118,936</u>	<u>\$ 116,571</u>		
Days net patient service revenue in accounts receivable	<u>61</u>	<u>69</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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>BALANCE</b> , beginning	\$ 629,932	\$ 570,000		
<b>ADD</b>				
Provision for bad debts	1,505,945	826,629	3.5%	1.9%
<b>DEDUCT</b>				
Accounts written off	<u>(1,757,777)</u>	<u>(766,697)</u>	4.0%	1.8%
<b>BALANCE</b> , ending	<u>\$ 378,100</u>	<u>\$ 629,932</u>		

**Jefferson County Hospital**  
**d/b/a Jefferson County Health Center**  
**PATIENT SERVICE REVENUE**  
**Year ended June 30, 2019, with comparative totals for 2018**

	<b>2019</b>			<b>2018</b>
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
<b>DAILY PATIENT SERVICES</b>				
Medical and surgical	\$ 4,521,621	\$ -	\$ 4,521,621	\$ 3,466,644
Critical care unit	52,185	-	52,185	82,350
Swing bed	1,182,538	-	1,182,538	1,177,016
	<u>5,756,344</u>	<u>-</u>	<u>5,756,344</u>	<u>4,726,010</u>
<b>OTHER NURSING SERVICES</b>				
Operating and recovery rooms	2,601,021	8,982,353	11,583,374	10,320,706
Central supply	130,109	77,012	207,121	174,734
Emergency services	27,705	7,042,114	7,069,819	6,772,930
	<u>2,758,835</u>	<u>16,101,479</u>	<u>18,860,314</u>	<u>17,268,370</u>
<b>OTHER PROFESSIONAL SERVICES</b>				
Laboratory and blood bank	522,274	10,420,872	10,943,146	10,037,727
Electrocardiology	12,525	553,481	566,006	559,120
Radiology	128,721	3,518,676	3,647,397	3,397,472
CT scans	242,112	4,826,578	5,068,690	4,175,677
Magnetic resonance imaging	51,112	1,842,578	1,893,690	1,836,552
Pharmacy	846,979	13,784,474	14,631,453	12,366,098
Anesthesiology	174,242	1,284,148	1,458,390	1,355,976
Respiratory therapy	880,244	608,117	1,488,361	1,324,296
Physical therapy	306,341	1,384,768	1,691,109	1,559,201
Speech therapy	40,698	111,932	152,630	146,360
Occupational therapy	241,254	276,152	517,406	453,097
Oncology	699	1,123,126	1,123,825	1,194,070
Medical arts	-	8,870,638	8,870,638	8,913,524
Physician clinic	-	1,360,752	1,360,752	1,683,489
Sleep lab	-	646,747	646,747	864,379
Ophthalmology	-	692,544	692,544	856,876
GI clinic	-	503,392	503,392	4,052
Pediatrics	-	4,360	4,360	1,498
Rheumatology	-	87,016	87,016	102,284
	<u>3,447,201</u>	<u>51,900,351</u>	<u>55,347,552</u>	<u>50,831,748</u>
Totals	<u>\$11,962,380</u>	<u>\$68,001,830</u>	79,964,210	72,826,128
Charity care charges foregone, based on established rates			<u>(286,697)</u>	<u>(489,736)</u>
Total gross patient service revenue			79,677,513	72,336,392
Provisions for contractual and other adjustments			<u>(36,265,728)</u>	<u>(29,788,150)</u>
Net patient service revenue			<u>\$43,411,785</u>	<u>\$42,548,242</u>



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

	<u>Year ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Contractual adjustments		
Medicare	\$19,922,059	\$14,825,432
Medicaid	5,529,384	5,824,139
Wellmark	6,014,173	4,903,095
Provision for bad debts	1,505,945	826,629
Discounts and other adjustments	<u>3,294,167</u>	<u>3,408,855</u>
 Totals	 <u>\$36,265,728</u>	 <u>\$29,788,150</u>

**OTHER REVENUE**

	<u>Year ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Electronic health records meaningful use incentive revenue	\$ 25,500	\$ 141,669
340(b) program revenue	815,086	958,767
Employee and guest meals	193,380	181,771
Lifeline	-	56,408
Specialty clinics rent	75,224	68,230
Rental income, net	140,329	160,859
Miscellaneous, net	<u>197,337</u>	<u>206,687</u>
 Totals	 <u>\$1,446,856</u>	 <u>\$1,774,391</u>

**Jefferson County Hospital  
d/b/a Jefferson County Health Center  
EXPENSES**

**Year ended June 30, 2019, with comparative totals for 2018**

	<b>2019</b>			<b>2018</b>
	<b>Salaries</b>	<b>Other</b>	<b>Total</b>	<b>Total</b>
<b>NURSING SERVICE</b>				
Administrative	\$ 155,826	\$ 26,989	\$ 182,815	\$ 160,519
Medical and surgical	2,158,206	303,170	2,461,376	2,335,447
Critical care unit	8,202	-	8,202	13,874
Operating and recovery rooms	842,294	1,384,673	2,226,967	2,189,448
Central supply	59,003	107,868	166,871	159,617
Emergency services	1,009,448	1,927,820	2,937,268	2,864,953
Total nursing service	<u>4,232,979</u>	<u>3,750,520</u>	<u>7,983,499</u>	<u>7,723,858</u>
<b>OTHER PROFESSIONAL SERVICE</b>				
Laboratory and blood bank	634,406	1,306,313	1,940,719	2,064,313
Electrocardiology	38,567	28,260	66,827	70,034
Radiology	621,441	807,873	1,429,314	1,423,408
CT scans	-	212,567	212,567	174,997
Magnetic resonance imaging	-	242,506	242,506	122,119
Pharmacy	444,977	5,768,910	6,213,887	5,662,676
Anesthesiology	-	640,365	640,365	571,041
Ophthalmology	331,753	30,219	361,972	361,301
Respiratory therapy	204,788	46,935	251,723	247,707
Physical therapy	-	883,386	883,386	833,580
Speech therapy	-	35,758	35,758	34,577
Occupational therapy	-	264,727	264,727	234,673
Physicians clinic	1,102,011	74,464	1,176,475	1,347,754
Walk in clinic	-	223	223	52
Fairfield clinic	-	43,030	43,030	115,466
Medical records	364,269	65,474	429,743	433,383
Quality assurance	309,608	31,298	340,906	337,029
Medical Arts	5,249,129	1,155,460	6,404,589	6,491,137
Sleep lab	98,007	23,254	121,261	139,358
Rheumatology	25,232	99,042	124,274	114,810
Oncology	354,993	560,616	915,609	864,624
GI Clinic	5,599	275,500	281,099	30,730
Urology	-	-	-	-
Dialysis	7,649	885	8,534	6,772
Total other professional service	<u>9,792,429</u>	<u>12,597,065</u>	<u>22,389,494</u>	<u>21,681,541</u>
<b>GENERAL SERVICE</b>				
Dietary	429,354	314,030	743,384	753,678
Plant operation and maintenance	483,770	945,430	1,429,200	1,390,269
Housekeeping	334,800	110,951	445,751	492,358
Laundry and linen	-	145,043	145,043	156,966
Total general service	<u>1,247,924</u>	<u>1,515,454</u>	<u>2,763,378</u>	<u>2,793,271</u>

**Jefferson County Hospital  
d/b/a Jefferson County Health Center  
EXPENSES (continued)  
Year ended June 30, 2019, with comparative totals for 2018**

	<b>2019</b>			<b>2018</b>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
<b>FISCAL AND ADMINISTRATIVE SERVICE</b>				
Administrative	542,918	196,642	739,560	778,419
Fiscal and accounting	808,989	884,250	1,693,239	1,545,132
Purchasing and stores	190,829	13,793	204,622	212,045
Public relations	73,330	81,520	154,850	251,341
Data processing	206,842	415,868	622,710	746,379
Human resources	83,972	47,435	131,407	140,246
<b>UNASSIGNED EXPENSES</b>				
Physician recruiting	-	224,626	224,626	222,727
Insurance	-	302,955	302,955	261,419
Employee benefits				
FICA	-	1,158,332	1,158,332	1,174,812
IPERS	-	2,935,434	2,935,434	2,832,411
Group health insurance	-	2,217,073	2,217,073	2,119,725
Group disability insurance	-	36,396	36,396	55,686
Workers' compensation	-	161,761	161,761	162,221
Other employee benefits	-	80,659	80,659	43,905
Total fiscal and administrative and unassigned expenses	<u>1,906,880</u>	<u>8,756,744</u>	<u>10,663,624</u>	<u>10,546,468</u>
<b>PROVISION FOR DEPRECIATION AND AMORTIZATION</b>				
	-	4,117,778	4,117,778	3,987,396
Total expenses	<u>\$17,180,212</u>	<u>\$30,737,561</u>	<u>\$47,917,773</u>	<u>\$46,732,534</u>

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

		<b>Year ended June 30</b>			
		<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Staffed Beds</b>		25	25	25	25
<b>Patient Days</b>	Adult and pediatric	1,604	1,468	1,683	1,973
	Swing bed	1,840	1,893	2,407	2,255
<b>Admissions</b>	Adult and pediatric	475	426	480	581
	Swing bed	163	181	218	225
<b>Percent Occupancy</b>	Adult and pediatric	17.58%	16.09%	18.44%	21.56%
<b>Outpatient Surgeries</b>		987	1,058	1,053	836
<b>Outpatient visits</b>		130,256	134,667*	69,831	69,670

\* Note: In 2018, the Health Center began including clinic visits in total outpatient visits.

**Adopted County Budgets**

<b>Purpose</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Ambulance	\$ 247,386	\$ 230,483	\$ 223,602	\$ 214,533	\$ 194,063
General	247,386	230,483	223,602	214,533	194,063
Insurance	—	—	—	12,880	313,380
FICA	386,941	360,515	349,750	349,750	349,750
IPERS	<u>267,257</u>	<u>249,002</u>	<u>241,570</u>	<u>247,070</u>	<u>247,070</u>
Total budget	<u>\$ 1,148,970</u>	<u>\$ 1,070,483</u>	<u>\$ 1,038,524</u>	<u>\$ 1,038,766</u>	<u>\$ 1,298,326</u>
Assessed Value (in thousands)			\$1,534,408	\$1,461,997	\$1,435,757
Net Taxable Value (in thousands)			903,697	841,465	815,778

		<b>Year ended June 30</b>		
		<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Key Operating Ratios</b>	Net days revenue in accounts receivable	61	69	70
	Current ratio	2.70	3.42	3.74
	Debt service coverage ratio	1.19	1.63	2.22
	Ratio of operating expense to operating revenues	1.07	1.05	0.98
	Days cash on hand	111	86	104
<b>Investment Position</b>	Unrestricted cash and investments	<u>\$12,894,237</u>		
	Cash operating expenses:			
	Total operating expenses	\$47,917,773		
	Less: Depreciation and amortization	(4,117,778)		
	IPERS and OPEB adjustments	<u>(1,352,492)</u>		
		<u>\$42,447,503</u>		
	Daily cash expenses	<u>\$ 116,295</u>		
	Days cash on hand	<u>111</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 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, 2019, and the related notes to the financial statements, which collectively comprise Jefferson County Hospital's basic financial statements, and have issued our report thereon dated October 31, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part II of the accompanying Schedule of Findings.

## **Purpose of this Report**

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

  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
October 31, 2019

**Jefferson County Hospital  
d/b/a Jefferson County Health Center  
SCHEDULE OF FINDINGS  
Year ended June 30, 2019**

**Part I—Findings Related to the Financial Statements**

**INTERNAL CONTROL DEFICIENCY**

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

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

**19-II-A CERTIFIED BUDGET**

Based on a comparison of actual operating expenses with County Hospital budgeted basis expenditures, it appears the Hospital did not exceed its budget for the year ended June 30, 2019.

**19-II-B QUESTIONABLE EXPENDITURES**

No questionable expenditures of Hospital funds were noted.

**19-II-C TRAVEL EXPENSES**

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

**19-II-D BUSINESS TRANSACTIONS**

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

**19-II-E BOARD MINUTES**

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

**19-II-F DEPOSITS AND INVESTMENTS**

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