

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

FINANCIAL REPORT

June 30, 2020 and 2019

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**Jefferson County Hospital
d/b/a Jefferson County Health Center
OFFICIALS
June 30, 2020**

BOARD OF TRUSTEES

Expiration of term

Officers

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

December 31, 2020
December 31, 2022
December 31, 2020

Members

Julie Greeson
Trent Hammes
Bob Keller
Renee Rebling

December 31, 2020
December 31, 2022
December 31, 2022
December 31, 2022

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, 2020 and 2019, 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 Health Center'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 Health Center'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, 2020 and 2019, 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 26, 2020, on our consideration of the Health Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health Center'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 Health Center's internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 26, 2020

**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, 2020 and 2019. 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>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Total assets	\$64,340,759	\$59,740,719	\$4,600,040
Total assets whose use is limited	2,023,202	2,129,409	(106,207)
Total capital assets	29,284,066	31,774,688	(2,490,622)
Total current and long-term debt	22,224,859	25,049,871	(2,825,012)
Total net position	18,592,568	18,304,270	288,298
Net patient service revenue	44,407,595	43,411,785	995,810
Total operating expenses	50,161,845	47,917,773	2,244,072

Financial Analysis of the Health Center

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

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

Condensed Statements of Net Position

	June 30		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$31,047,742	\$24,458,111	\$23,875,852
Noncurrent assets whose use is limited	314,220	328,202	325,085
Capital assets	29,284,066	31,774,688	34,542,262
Other assets	3,694,731	3,179,718	2,671,675
Deferred outflows of resources	<u>4,457,372</u>	<u>6,025,850</u>	<u>6,517,113</u>
Total assets and deferred outflows of resources	<u>\$68,798,131</u>	<u>\$65,766,569</u>	<u>\$67,931,987</u>
Current liabilities	\$14,634,783	\$ 9,042,365	\$ 6,987,866
Noncurrent liabilities	32,292,428	36,574,958	38,986,880
Deferred inflows of resources	3,278,352	1,844,976	1,318,836
Net position	<u>18,592,568</u>	<u>18,304,270</u>	<u>20,638,405</u>
Total liabilities, deferred inflows of resources and net position	<u>\$68,798,131</u>	<u>\$65,766,569</u>	<u>\$67,931,987</u>

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

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

	Year ended June 30		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total revenue	\$46,768,490	\$44,858,641	\$44,322,633
Total expenses	<u>50,161,845</u>	<u>47,917,773</u>	<u>46,732,534</u>
Operating income (loss)	(3,393,355)	(3,059,132)	(2,409,901)
Total nonoperating gains and contributions	<u>3,681,653</u>	<u>724,997</u>	<u>482,126</u>
Change in net position	288,298	(2,334,135)	(1,927,775)
Total net position, beginning	<u>18,304,270</u>	<u>20,638,405</u>	<u>22,566,180</u>
Total net position, ending	<u>\$18,592,568</u>	<u>\$18,304,270</u>	<u>\$20,638,405</u>

Operating and Financial Performance

The following summarizes the Health Center's statements of revenues, expenses and changes in net position for the years ended June 30, 2020, 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 2020, 2019 and 2018.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Volume			
Patient days			
Adult and pediatric	1,555	1,604	1,468
Swing bed	1,790	1,840	1,893
Discharges			
Adult and pediatric	447	450	417
Swing bed	140	156	175
Average length of stay			
Adult and pediatric	3.5	3.6	3.5
Swing bed	12.8	11.8	10.8
Gross revenue			
Inpatient	\$12,072,919	\$11,962,380	\$9,577,784
Outpatient	71,136,245	68,001,830	63,248,344
Contractual and other adjustments			
Percent of gross revenue	46%	45%	41%
Payor mix by percentage			
Medicare	55%	55%	53%
Medicaid	14	14	16
Commercial insurance	29	30	30
All other	<u>2</u>	<u>1</u>	<u>1</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 2020, 2019 and 2018.

	<u>2020</u>		<u>2019</u>		<u>2018</u>	
Salaries	\$18,888,687	37%	\$17,180,212	35%	\$17,431,694	37%
Supplies and other expenses	27,306,892	54	26,619,783	55	25,313,444	53
Depreciation and amortization	3,966,266	8	4,117,778	8	3,987,396	8
Interest and amortization	<u>690,436</u>	<u>1</u>	<u>758,221</u>	<u>2</u>	<u>835,581</u>	<u>2</u>
Total	<u>\$50,852,281</u>	<u>100%</u>	<u>\$48,675,994</u>	<u>100%</u>	<u>\$47,568,115</u>	<u>100%</u>

Nonoperating Gains

Nonoperating gains were \$3,651,037 in 2020 compared to \$702,877 in 2019. COVID-19 provider relief funding represent the majority of the nonoperating gains.

Capital Assets

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

Capital Assets	June 30		
	2020	2019	2018
Property and equipment, gross	\$67,309,516	\$65,935,617	\$65,097,320
Less accumulated depreciation	<u>38,025,450</u>	<u>34,160,929</u>	<u>30,555,058</u>
Net capital assets	<u>\$29,284,066</u>	<u>\$31,774,688</u>	<u>\$34,542,262</u>
Acquisitions of capital assets during the year	\$ 1,381,771	\$ 1,322,972	\$ 1,681,801
Disposal of capital assets during the year	<u>7,872</u>	<u>484,675</u>	<u>19,949</u>
Increase (decrease) in property and equipment, gross	<u>\$ 1,373,899</u>	<u>\$ 838,297</u>	<u>\$ 1,661,852</u>

Debt Administration

The changes in long-term debt for 2020, 2019 and 2018 are shown below. More detailed information about the Health Center's outstanding debt is presented in the Note to Financial Statements.

Long-term Debt	Year ended June 30		
	2020	2019	2018
Beginning balance	\$25,082,624	\$27,833,384	\$30,513,513
Additions	—	—	—
Principal payments	<u>(2,831,562)</u>	<u>(2,750,760)</u>	<u>(2,680,129)</u>
Ending balance	<u>\$22,251,062</u>	<u>\$25,082,624</u>	<u>\$27,833,384</u>
Long-term debt as a percentage of total liabilities	47%	55%	61%

In addition the Health Center obtained a loan through the Paycheck Protection Program administered by the SBA in the amount of \$4,084,600 which is expected to be forgiven during the year ending June 30, 2021.

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 2020 actual budget basis financial information to its annual County Hospital budget is presented below.

Actual vs Budget	Actual budget basis	Annual County Hospital budget	Variance
Amount to be raised by taxation	\$ 892,107	\$ 889,237	\$ 2,870
Other revenues/receipts	<u>50,248,472</u>	<u>52,609,687</u>	<u>(2,361,215)</u>
Expenses/expenditures	<u>51,140,579</u>	<u>53,498,924</u>	<u>(2,358,345)</u>
	<u>49,226,967</u>	<u>53,483,788</u>	<u>(4,256,821)</u>
Net	<u>\$ 1,913,612</u>	<u>\$ 15,136</u>	<u>\$1,898,476</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**

	June 30	
	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash	\$19,938,270	\$12,894,237
Assets whose use is limited, required for current liabilities	1,708,982	1,801,207
Patient receivables, less allowance for contractual adjustments and bad debts	6,652,335	7,259,378
Other receivables	151,024	147,557
Inventories	887,991	846,227
Prepaid expenses	576,140	376,505
Succeeding year property tax receivable	<u>1,133,000</u>	<u>1,133,000</u>
Total current assets	<u>31,047,742</u>	<u>24,458,111</u>
ASSETS WHOSE USE IS LIMITED		
Restricted by bond indenture agreement		
Cash and cash equivalents	1,708,982	1,801,207
Restricted by donors for specific purposes		
Cash and cash equivalents	<u>314,220</u>	<u>328,202</u>
Total assets whose use is limited	<u>2,023,202</u>	<u>2,129,409</u>
Less assets whose use is limited, required for current liabilities	<u>1,708,982</u>	<u>1,801,207</u>
Noncurrent assets whose use is limited	<u>314,220</u>	<u>328,202</u>
CAPITAL ASSETS	67,309,516	65,935,617
Less accumulated depreciation and amortization	<u>38,025,450</u>	<u>34,160,929</u>
Total capital assets	<u>29,284,066</u>	<u>31,774,688</u>
OTHER ASSETS		
Acquired intangible assets, net	468,743	567,338
Other receivables	2,072,016	1,640,893
Investment in joint ventures	<u>1,153,972</u>	<u>971,487</u>
Total other assets	<u>3,694,731</u>	<u>3,179,718</u>
Total assets	<u>64,340,759</u>	<u>59,740,719</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	4,444,024	6,025,850
OPEB related deferred outflows	<u>13,348</u>	<u>—</u>
Total deferred outflows of resources	<u>4,457,372</u>	<u>6,025,850</u>
Total assets and deferred outflows of resources	<u>\$68,798,131</u>	<u>\$65,766,569</u>

See Notes to Financial Statements.

June 30

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 2,912,540	\$ 2,831,562
Accounts payable	1,374,796	3,219,574
Accrued employee compensation	2,116,092	1,669,262
Payroll taxes and withholdings	596,516	383,595
Accrued interest	214,387	238,372
Estimated third-party payor settlements	150,000	700,000
Paycheck Protection Program loan	4,084,600	-
Refundable advance, provider relief funds	<u>3,185,852</u>	<u>-</u>
Total current liabilities	<u>14,634,783</u>	<u>9,042,365</u>
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	19,312,319	22,218,309
Net pension liability	12,829,889	14,217,224
Net OPEB liability	<u>150,220</u>	<u>139,425</u>
Total long-term liabilities	<u>32,292,428</u>	<u>36,574,958</u>
Total liabilities	<u>46,927,211</u>	<u>45,617,323</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable property tax revenue	1,133,000	1,133,000
Pension related deferred inflows	2,123,298	711,976
OPEB related deferred inflows	<u>22,054</u>	<u>-</u>
Total deferred inflows of resources	<u>3,278,352</u>	<u>1,844,976</u>
NET POSITION		
Net investment in capital assets	7,059,207	6,724,817
Restricted		
By bond indenture agreement	1,708,982	1,801,207
For specific purpose by donors	314,220	328,202
Unrestricted	<u>9,510,159</u>	<u>9,450,044</u>
Total net position	<u>18,592,568</u>	<u>18,304,270</u>
Total liabilities and deferred inflows of resources	<u>\$68,798,131</u>	<u>\$65,766,569</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>2020</u>	<u>2019</u>
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2020 \$906,724; 2019 \$1,505,945	\$44,407,595	\$43,411,785
OTHER REVENUE	<u>2,360,895</u>	<u>1,446,856</u>
Total revenue	<u>46,768,490</u>	<u>44,858,641</u>
OPERATING EXPENSES		
Nursing service	8,607,902	7,983,499
Other professional service	23,930,251	22,389,494
General service	2,941,870	2,763,378
Fiscal and administrative service and unassigned expenses	10,715,556	10,663,624
Provision for depreciation and amortization	<u>3,966,266</u>	<u>4,117,778</u>
Total expenses	<u>50,161,845</u>	<u>47,917,773</u>
Operating (loss)	<u>(3,393,355)</u>	<u>(3,059,132)</u>
NONOPERATING GAINS (LOSSES)		
COVID-19 Provider Relief Funding	2,584,408	-
County taxes	892,107	853,888
Investment income	176,147	135,005
Interest and amortization expense	(690,436)	(758,221)
Equity in income of joint venture investments	682,485	496,200
Gain (loss) on sale of property and equipment	<u>6,326</u>	<u>(23,995)</u>
Total nonoperating gains (losses)	<u>3,651,037</u>	<u>702,877</u>
Excess (deficiency) of revenues over expenses before contributions	257,682	(2,356,255)
CONTRIBUTIONS	<u>30,616</u>	<u>22,120</u>
Change in net position	288,298	(2,334,135)
TOTAL NET POSITION		
Beginning	<u>18,304,270</u>	<u>20,638,405</u>
Ending	<u>\$18,592,568</u>	<u>\$18,304,270</u>

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

	Year ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$44,464,638	\$46,568,501
Cash paid to suppliers for goods and services	(27,989,424)	(24,166,681)
Cash paid to employees for services	(18,441,857)	(17,112,864)
Other operating revenue received	<u>2,360,895</u>	<u>1,446,856</u>
Net cash flows from operating activities	<u>394,252</u>	<u>6,735,812</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paycheck Protection Program loan proceeds	4,084,600	—
COVID-19 provider relief funding received	5,770,260	—
County taxes received	<u>892,107</u>	<u>853,888</u>
Net cash flows from noncapital financing activities	<u>10,746,967</u>	<u>853,888</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets and construction in progress	(1,381,772)	(1,319,374)
Principal payments on long-term debt	(2,831,562)	(2,750,760)
Proceeds from sale of capital assets	11,049	43,770
Interest paid on long-term debt	(707,871)	(782,850)
Contributions restricted for purchase of capital assets	<u>30,616</u>	<u>22,120</u>
Net cash flows from capital and related financing activities	<u>(4,879,540)</u>	<u>(4,787,094)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from investments in joint ventures	500,000	300,000
Investment income received	<u>176,147</u>	<u>135,005</u>
Net cash flows from investing activities	<u>676,147</u>	<u>435,005</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,937,826	3,237,611
CASH AND CASH EQUIVALENTS		
Beginning	<u>15,023,646</u>	<u>11,786,035</u>
Ending	<u>\$21,961,472</u>	<u>\$15,023,646</u>

See Notes to Financial Statements.

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

	<u>Year ended June 30</u>	
	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating (loss)	\$ (3,393,355)	\$ (3,059,132)
Adjustments to reconcile operating (loss) to net cash flows from operating activities		
Provision for depreciation and amortization	3,966,266	4,117,778
Change in assets, liabilities, deferred outflows and deferred inflows		
Patient receivables	607,043	756,716
Other receivables, net of noncapital financing activities	(434,590)	(495,682)
Inventories	(41,764)	195,949
Prepaid expenses	(199,635)	162,814
Deferred outflows of resources	1,568,478	491,263
Accounts payable, net of capital assets payable	(1,628,899)	1,230,764
Accrued employee compensation	446,830	67,348
Payroll taxes and withholdings	(2,958)	6,765
Net estimated third-party payor settlements	(550,000)	2,400,000
Net pension liability	(1,387,335)	410,204
Deferred inflows of resources	1,433,376	448,140
Net OPEB liability	<u>10,795</u>	<u>2,885</u>
Net cash flows from operating activities	<u>\$ 394,252</u>	<u>\$ 6,735,812</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION		
Per statement of net position		
Current assets	\$19,938,270	\$12,894,237
Assets whose use is limited		
Restricted by bond indenture agreement	1,708,982	1,801,207
Restricted by donors for specific purpose	<u>314,220</u>	<u>328,202</u>
Total per statement of cash flows	<u>\$21,961,472</u>	<u>\$15,023,646</u>

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Measurement Focus and Basis of Accounting

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

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

Accounting Standards

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

Cash and Cash Equivalents

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

Inventories

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

Property Tax Receivable

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

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

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

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 Health Center's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to OPEB expense, pension 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 Health Center's pension plan and OPEB.

**Jefferson County Health 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 Health Center's policy to use restricted net position first.

Charity Care

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

Net Patient Service Revenue

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

Revenues, Expenses, and Changes in Net Position

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

Costs of Borrowing

Costs of borrowing are expensed in the year incurred.

Credit Policy

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

**Jefferson County Health 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.

NOTE 2 CASH AND INVESTMENTS

The Health Center's deposits in banks at June 30, 2020 were covered by federal depository insurance, or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

NOTE 3 PATIENT RECEIVABLES

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

	June 30	
	2020	2019
Receivable from patients	\$ 1,868,523	\$ 2,127,629
Receivable from insurance carriers	2,825,643	3,346,719
Receivable from Medicare	4,263,704	4,354,313
Receivable from Medicaid	<u>1,218,465</u>	<u>873,717</u>
Total patient receivables	10,176,335	10,702,378
Less allowances for contractual and other adjustments	<u>(3,524,000)</u>	<u>(3,443,000)</u>
 Totals	 <u>\$ 6,652,335</u>	 <u>\$ 7,259,378</u>

**Jefferson County Health 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, 2020 and 2019:

	<u>Year ended June 30</u>	
	<u>2020</u>	<u>2019</u>
Balance, beginning	\$1,801,207	\$1,692,530
Deposits	3,229,329	3,420,834
Investment income	7,136	10,711
Principal payments	(2,635,000)	(2,560,000)
Interest payments	(693,690)	(762,868)
Fees	<u>—</u>	<u>—</u>
Balance, ending	<u>\$1,708,982</u>	<u>\$1,801,207</u>

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2020 and 2019 follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2020</u>
Land	\$ 1,168,335	\$ —	\$ —	\$ —	\$ 1,168,335
Land improvements	2,549,097	—	—	—	2,549,097
Buildings	42,775,780	—	—	17,794	42,793,574
Equipment	19,431,936	996,347	(7,872)	299,128	20,719,539
Construction and equipment installations in progress	<u>10,469</u>	<u>385,424</u>	<u>—</u>	<u>(316,922)</u>	<u>78,971</u>
Totals	65,935,617	1,381,771	(7,872)	—	67,309,516
Less accumulated depreciation	<u>(34,160,929)</u>	<u>(3,867,671)</u>	<u>3,150</u>	<u>—</u>	<u>(38,025,450)</u>
Net capital assets	<u>\$31,774,688</u>	<u>\$(2,485,900)</u>	<u>\$(4,722)</u>	<u>\$—</u>	<u>\$29,284,066</u>

	<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>

**Jefferson County Health 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 Health Center adopted a resolution authorizing the issuance of revenue bonds to provide financing for the constructing and equipping a replacement Health Center for the Jefferson County Health Center and constructing and equipping and improving medical office space located on the Health Center'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 Health Center at par plus accrued interest. The balance at June 30, 2020 is \$485,000.
- 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 Health Center at par plus accrued interest. The balance at June 30, 2020 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 2.25% to 2.8%. Bonds maturing on or after August 1, 2020 are subject to redemption. The balance at June 30, 2020 is \$3,010,000.

The Health Center 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 \$196,562 at June 30, 2020. The agreement is collateralized by leased equipment.

As to the above Hospital Revenue Bonds, the Health Center has pledged all future revenue to pay the principal and interest. The Bonds were issued to finance capital improvements of the Health Center and to provide financing for the constructing and equipping of a replacement Health Center. The revenues are pledged through August 2028. The remaining principal and interest on the obligations as of June 30, 2020 is approximately \$24,700,000 based on the payment schedules as of June 30, 2020. The following is a comparison of the pledged revenues and the principal and interest requirements of the Bonds for the years ended June 30, 2020 and 2019:

	<u>Year ended June 30</u>	
	<u>2020</u>	<u>2019</u>
Change in net position	\$ 288,298	\$(2,334,135)
Provision for depreciation and amortization	3,966,266	4,117,778
Interest and amortization expense	690,436	758,221
IPERS and OPEB adjustments	1,625,314	1,345,359
(Gain) loss on sale of property	<u>(6,326)</u>	<u>23,995</u>
Pledged revenues	<u>\$6,563,988</u>	<u>\$3,911,218</u>
Principal and interest requirements	<u>\$3,328,690</u>	<u>\$3,292,430</u>

**Jefferson County Health 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, 2020 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>
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	2,235,000	317,625	—	—	2,235,000	317,625	2,552,625
2026-2030	<u>8,360,000</u>	<u>509,175</u>	<u>—</u>	<u>—</u>	<u>8,360,000</u>	<u>509,175</u>	<u>8,869,175</u>
Total	21,910,000	2,829,875	341,062	8,938	22,251,062	2,838,813	25,089,875
Less current maturities	2,710,000	620,234	202,540	7,460	2,912,540	627,694	3,540,234
Less discount	<u>26,203</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>26,203</u>	<u>—</u>	<u>26,203</u>
Total long-term debt	<u>\$19,173,797</u>	<u>\$2,209,641</u>	<u>\$ 138,522</u>	<u>\$ 1,478</u>	<u>\$19,312,319</u>	<u>\$2,211,119</u>	<u>\$21,523,438</u>

A summary of changes in long-term debt for the year ended June 30, 2020 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)	\$ 2,410,000	\$ —	\$1,925,000	\$ 485,000	\$ 485,000
Hospital Revenue Bonds (Series 2016B)	18,415,000	—	—	18,415,000	1,500,000
Hospital Revenue Bonds (Series 2017)	3,720,000	—	710,000	3,010,000	725,000
Capital lease payable	<u>537,624</u>	<u>—</u>	<u>196,562</u>	<u>341,062</u>	<u>202,540</u>
Totals	<u>\$25,082,624</u>	<u>\$ —</u>	<u>\$2,831,562</u>	<u>\$22,251,062</u>	<u>\$2,912,540</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>

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

NOTE 7 NET PATIENT SERVICE REVENUE

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

Medicare and Medicaid

The Health Center is designated as a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Health Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the fiscal intermediary. The Iowa Medicaid Program has transitioned management of the program to managed care organizations. As a result, the Health Center is reimbursed using rates which are prospectively set by contracts with managed care organizations and is no longer subject to a final settlement based on actual costs incurred. The Health Center's classification of patients under the programs and the appropriateness of their admission are subject to an independent review by a peer review organization. The Health Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2018.

Other

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

NOTE 8 CHARITY CARE

The Health Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Charges foregone, based on established rates	\$ <u>555,719</u>	\$ <u>286,697</u>

NOTE 9 PENSION PLAN

Plan Description

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

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

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

NOTE 9 PENSION PLAN (continued)

Contribution rates, as a percentage of covered wages, were as follows for the years ended June 30, 2020 and 2019.

	<u>Regular Members</u>		<u>Protection Occupation Members</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Member contribution rate	6.29%	6.29%	6.61%	6.81%
Hospital contribution rate	<u>9.44%</u>	<u>9.44%</u>	<u>9.91%</u>	<u>10.21%</u>
Total contribution rate	<u>15.73%</u>	<u>15.73%</u>	<u>16.52%</u>	<u>17.02%</u>

The Health Center's contributions to IPERS for the years ended June 30, 2020 and 2019 were \$1,635,499 and \$1,594,743, respectively.

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

At June 30, 2020 and 2019, the Health Center reported a liability of \$12,829,889 and \$14,217,224, respectively, for its proportionate share of the net pension liability. The Health Center net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Health Center's proportion of the net pension liability was based on the Health Center's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the Health Center's proportionate share:

	<u>Measurement Date June 30</u>		<u>Change</u>
	<u>2019</u>	<u>2018</u>	
Health Center's proportionate share	0.221562%	0.224663%	(0.003101)%

For the years ended June 30, 2020 and 2019, the Health Center recognized pension expense of \$3,241,312 and \$2,935,434, respectively. At June 30, 2020 and 2019, the Health Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Pension Related Deferred</u>			
	<u>Outflows of Resources</u>		<u>Inflows of Resources</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Difference between expected and actual experience	\$ 35,568	\$ 77,951	\$ 461,296	\$ 321,332
Change in assumptions	1,374,265	2,028,175	—	—
Net difference between projected and actual earnings on pension plan investments	—	—	1,445,774	390,644
Change in proportion and difference between Health Center contributions and proportionate share of contributions	1,398,692	2,324,981	216,228	—
Health Center contributions subsequent to the measurement date	<u>1,635,499</u>	<u>1,594,743</u>	—	—
Totals	<u>\$4,444,024</u>	<u>\$6,025,850</u>	<u>\$2,123,298</u>	<u>\$ 711,976</u>

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

NOTE 9 PENSION PLAN (continued)

\$1,635,499 reported as deferred outflows of resources related to pensions resulting from the Health Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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,

2021	\$ 896,819
2022	97,925
2023	(28,934)
2024	(230,170)
2025	<u>(50,413)</u>
Totals	<u>\$ 685,227</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2019 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 Health Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 PENSION PLAN (continued)

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent target allocation and best estimates of 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 Health Center will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Health Center's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the Health Center'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>\$22,781,742</u>	<u>\$12,829,889</u>	<u>\$4,482,385</u>

Pension Plan Fiduciary Net Position

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

**Jefferson County Health 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, 2020 and 2019, the Health Center reported payables to the defined benefit pension plan of approximately \$12,000 and \$65,000, respectively, for legally required employer contributions and \$-0- at each of June 30, 2020 and 2019 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 10 CONTINGENCIES

The Health Center is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Coverage limits are up to \$3,000,000 per claim and up to \$5,000,000 in the aggregate, with umbrella coverage up to \$12,000,000.

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

Incidents occurring through June 30, 2020 may result in the assertion of additional claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 11 EMPLOYEE BENEFITS

The Health Center has developed a self-insured health insurance program for all employees. Claims for health care services for employees and their families are accrued when incurred. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$65,000 per person, with an aggregate stop-loss provision for the plan as a whole of approximately \$2,700,000. Total expense, which includes claims, administration fees, and stop-loss insurance, under this self-insurance program for the years ended June 30, 2020 and 2019 was \$1,654,876 and \$2,166,609, respectively.

NOTE 12 HEALTH CENTER RISK MANAGEMENT

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

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

This fund was established through a donation received from Robert A. Ryan, M.D. The investment is to be maintained in perpetuity and the income only to be used for a nursing scholarship for a member of the senior class graduating from Fairfield High School, Fairfield, Iowa or from another high school in the area. At June 30, 2020 and 2019, the balance of the fund was \$71,206 and \$69,626, respectively.

**Jefferson County Health 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, 2020 and 2019, the balance of the fund was \$243,014 and \$258,576, respectively.

NOTE 15 INVESTMENT IN JOINT VENTURES

The Health Center has varying interests in several joint ventures engaged in providing various health care services. The investments are accounted for using the equity method. The Health Center has recorded its share of the joint ventures' income of \$682,485 in 2020 and \$496,200 in 2019.

NOTE 16 ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS

The Health Center 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 \$-0- and \$25,500 for the years ended June 30, 2020 and 2019, respectively.

NOTE 17 OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

OPEB Benefits

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

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>228</u>
Total	<u><u>228</u></u>

Net OPEB Liability

The Health Center's Net OPEB liability of \$150,220 and \$139,425 was measured as of June 30, 2020 and 2019, respectively, and was determined by an actuarial valuation as of July 1, 2018 and projected to July 1, 2019..

**Jefferson County Health 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, 2020 was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	2.60% per year
Rates of salary increase	3.25% per year plus merit increases
Discount rate	3.51% per annum
Healthcare cost trend rate	8% initially, decreasing by .5% per year to an ultimate rate of 4%.

The discount rate used to measure the Net OPEB liability was 3.51% 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 for general participants were based on the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019. Mortality rates for surviving spouses were based on the SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019.

Changes in Net OPEB Liability

	Year ended June 30	
	2020	2019
Net OPEB liability, beginning of year	\$ 139,425	\$ 136,540
Changes for the year		
Service cost	15,164	14,878
Interest on the Net OPEB liability	5,426	5,687
Changes in benefit terms	-	-
Differences between expected and actual experience	15,016	(11,889)
Changes in assumptions or other inputs	(24,811)	3,220
Benefit payments	-	(9,011)
Net OPEB liability, end of year	<u>\$ 150,220</u>	<u>\$ 139,425</u>

Changes in assumptions or other inputs for the year ended June 30, 2020 includes a change in the discount rate from 3.5% in fiscal year 2019 to 3.51% in fiscal year 2020.

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

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

	1% Decrease 2.51%	Discount Rate 3.51%	1% Increase 4.51%
Health Center's Net OPEB liability	<u>\$ 159,684</u>	<u>\$ 150,220</u>	<u>\$ 140,848</u>

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

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

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

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

	1% Decrease 7%	Trend Rate 8%	1% Increase 9%
Health Center's Net OPEB liability	\$ <u>131,550</u>	\$ <u>150,220</u>	\$ <u>172,776</u>

OPEB Expense and Deferred Outflows and Inflows of Resources

For the years ended June 30, 2020 and 2019, the Health Center recognized OPEB expense of \$19,501 and \$20,812, respectively. At June 30, 2020, the Health Center reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ 22,054
Changes in assumptions or other inputs	<u>13,348</u>	<u>—</u>
Totals	\$ <u>13,348</u>	\$ <u>22,054</u>

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

Year ending June 30,

2021	\$ (1,089)
2022	(1,089)
2023	(1,089)
2024	(1,089)
2025	(1,089)
Thereafter	<u>(3,261)</u>
Totals	\$ <u>(8,706)</u>

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 \$-0- and \$3,741 for the years ended June 30, 2020 and 2019, respectively, under the agreements entered into by the City.

NOTE 19 OTHER RECEIVABLES

The Health Center has recorded as other receivables amounts loaned to physicians. The loans are collateralized by insurance loan agreements on insurance policies owned by the physicians where the Health Center has been assigned an interest by an instrument of assignment filed with an insurance company. The loans will be repaid by proceeds of the life insurance policies in a future period which cannot be determined as of June 30, 2020.

**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, 2020**

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget for all funds following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The Health Center prepares its annual budget on a basis (budget basis) which differs from generally accepted accounting principles (GAAP basis). The major difference between budget and GAAP bases is that IPERS pension contributions are recorded on the budget basis, while IPERS pension 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	\$ 892,107	\$ —	\$ 892,107	\$ 889,237
Other revenue/receipts	<u>49,558,036</u>	<u>690,436</u>	<u>50,248,472</u>	<u>52,609,687</u>
	50,450,143	690,436	51,140,579	53,498,924
Expenses/expenditures	<u>50,161,845</u>	<u>(934,878)</u>	<u>49,226,967</u>	<u>53,483,788</u>
Net	288,298	1,625,314	1,913,612	15,136
Balance, beginning	<u>18,304,270</u>	<u>9,042,775</u>	<u>27,347,045</u>	<u>21,184,985</u>
Balance, ending	<u>\$18,592,568</u>	<u>\$10,668,089</u>	<u>\$29,260,657</u>	<u>\$21,200,121</u>

See accompanying independent auditor's report.

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

	<u>Year ended June 30</u>	
	<u>2020</u>	<u>2019</u>
Service cost	\$ 15,164	\$ 14,878
Interest cost	5,426	5,687
Differences between expected and actual experience	15,016	(11,889)
Changes in assumptions or other inputs	(24,811)	3,220
Benefit payments	<u>—</u>	<u>(9,011)</u>
Net change in Net OPEB liability	10,795	2,885
Net OPEB liability, beginning of year, as restated	<u>139,425</u>	<u>136,540</u>
Net OPEB liability, end of year	<u>\$ 150,220</u>	<u>\$ 139,425</u>
Covered-employee payroll	<u>\$14,230,622</u>	<u>\$11,554,734</u>
Net OPEB liability as a percentage of covered-employee payroll	1.1%	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, 2019	3.5%
Year ended June 30, 2020	3.51%

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

	Year ended June 30					
	2020	2019	2018	2017	2016	2015
Health Center's proportion of the net pension liability	0.221562%	0.224663%	0.207273%	0.184474%	0.166762%	0.138837%
Health Center's proportionate share of the net pension liability	\$12,830	\$14,217	\$13,807	\$11,610	\$8,239	\$5,506
Health Center's total payroll	\$18,889	\$17,180	\$17,432	\$16,339	\$14,037	\$12,176
Health Center's proportionate share of the net pension liability as a percentage of its total payroll	68%	83%	79%	71%	59%	45%
Plan fiduciary net position as a percentage of the total pension liability	85%	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 HEALTH CENTER PENSION CONTRIBUTIONS
Iowa Public Employees' Retirement System
(In Thousands)
Required Supplementary Information**

	<u>Year ended June 30</u>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 1,635	\$ 1,595	\$ 1,501	\$ 1,386
Contributions in relation to the statutorily required contribution	<u>1,635</u>	<u>1,595</u>	<u>1,501</u>	<u>1,386</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Health Center's total payroll	\$18,889	\$17,180	\$17,432	\$16,339
Contributions as a percentage of covered-employee payroll	8.7%	9.3%	8.6%	8.5%

See accompanying notes to required supplementary information - pension liability.

Year ended June 30					
2016	2015	2014	2013	2012	2011
\$ 1,187	\$ 1,063	\$ 841	\$ 728	\$ 647	\$ 515
<u>1,187</u>	<u>1,063</u>	<u>841</u>	<u>728</u>	<u>647</u>	<u>515</u>
\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
\$14,037	\$12,176	\$9,554	\$8,625	\$8,068	\$7,414
8.5%	8.7%	8.8%	8.4%	8.0%	6.9%

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year ended June 30, 2020**

CHANGES OF BENEFIT TERMS

There were no significant changes in benefit terms.

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.



**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, 2020 and 2019, and our report thereon dated October 26, 2020, 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, 2017 through 2018, and expressed unmodified opinions on those financial statements.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 26, 2020

**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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
0 – 30 days (includes patients in Health Center at end of year)	\$ 5,673,022	\$ 6,492,837	55.7%	60.7%
31 – 60 days	881,993	1,453,579	8.7	13.6
61 – 90 days	479,013	625,004	4.7	5.8
Over 90 days	<u>3,142,307</u>	<u>2,130,958</u>	<u>30.9</u>	<u>19.9</u>
	<u>10,176,335</u>	<u>10,702,378</u>	<u>100.0%</u>	<u>100.0%</u>
Allowances				
Contractual				
Medicare	1,724,900	1,673,000		
Medicaid	559,300	420,200		
Commercial insurance	807,000	861,100		
Uncollectibles	367,900	378,100		
Physician Clinics	<u>64,900</u>	<u>110,600</u>		
Total allowances	<u>3,524,000</u>	<u>3,443,000</u>		
Totals	<u>\$ 6,652,335</u>	<u>\$ 7,259,378</u>		
Net patient service revenue per calendar day	<u>\$ 121,332</u>	<u>\$ 118,936</u>		
Days net patient service revenue in accounts receivable	<u>55</u>	<u>61</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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
BALANCE , beginning	\$ 378,100	\$ 629,932		
ADD				
Provision for bad debts	906,724	1,505,945	2.0%	3.5%
DEDUCT				
Accounts written off	<u>(916,924)</u>	<u>(1,757,777)</u>	2.1%	4.0%
BALANCE , ending	<u>\$ 367,900</u>	<u>\$ 378,100</u>		

Jefferson County Hospital
d/b/a Jefferson County Health Center
PATIENT SERVICE REVENUE
Year ended June 30, 2020, with comparative totals for 2019

	2020			2019
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
DAILY PATIENT SERVICES				
Medical and surgical	\$ 4,681,282	\$ –	\$ 4,681,282	\$ 4,521,621
Critical care unit	60,958	–	60,958	52,185
Swing bed	1,184,921	–	1,184,921	1,182,538
	<u>5,927,161</u>	<u>–</u>	<u>5,927,161</u>	<u>5,756,344</u>
OTHER NURSING SERVICES				
Operating and recovery rooms	2,864,358	10,300,278	13,164,636	11,583,374
Central supply	133,703	66,074	199,777	207,121
Emergency services	1,463	6,951,465	6,952,928	7,069,819
	<u>2,999,524</u>	<u>17,317,817</u>	<u>20,317,341</u>	<u>18,860,314</u>
OTHER PROFESSIONAL SERVICES				
Laboratory and blood bank	555,995	10,801,005	11,357,000	10,943,146
Electrocardiology	15,221	576,137	591,358	566,006
Radiology	121,221	3,365,512	3,486,733	3,647,397
CT scans	242,889	5,154,048	5,396,937	5,068,690
Magnetic resonance imaging	88,415	2,210,025	2,298,440	1,893,690
Pharmacy	812,602	15,613,987	16,426,589	14,631,453
Anesthesiology	160,336	1,212,460	1,372,796	1,458,390
Respiratory therapy	522,527	508,322	1,030,849	1,488,361
Physical therapy	344,611	1,187,701	1,532,312	1,691,109
Speech therapy	34,017	78,276	112,293	152,630
Occupational therapy	248,400	241,635	490,035	517,406
Oncology	–	1,197,179	1,197,179	1,123,825
Medical arts	–	8,523,459	8,523,459	8,870,638
Physician clinic	–	1,212,918	1,212,918	1,360,752
Sleep lab	–	647,124	647,124	646,747
Ophthalmology	–	614,158	614,158	692,544
GI clinic	–	510,021	510,021	503,392
Pediatrics	–	7,949	7,949	4,360
Rheumatology	–	156,512	156,512	87,016
	<u>3,146,234</u>	<u>53,818,428</u>	<u>56,964,662</u>	<u>55,347,552</u>
Totals	<u>\$12,072,919</u>	<u>\$71,136,245</u>	83,209,164	79,964,210
Charity care charges foregone, based on established rates			<u>(555,719)</u>	<u>(286,697)</u>
Total gross patient service revenue			82,653,445	79,677,513
Provisions for contractual and other adjustments			<u>(38,245,850)</u>	<u>(36,265,728)</u>
Net patient service revenue			<u>\$44,407,595</u>	<u>\$43,411,785</u>

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

	<u>Year ended June 30</u>	
	<u>2020</u>	<u>2019</u>
Contractual adjustments		
Medicare	\$21,023,374	\$19,922,059
Medicaid	5,792,120	5,529,384
Wellmark	6,888,397	6,014,173
Provision for bad debts	906,724	1,505,945
Discounts and other adjustments	<u>3,635,235</u>	<u>3,294,167</u>
 Totals	 <u>\$38,245,850</u>	 <u>\$36,265,728</u>

OTHER REVENUE

	<u>Year ended June 30</u>	
	<u>2020</u>	<u>2019</u>
Electronic health records meaningful use incentive revenue	\$ —	\$ 25,500
340(b) program revenue	1,504,466	815,086
Employee and guest meals	198,103	193,380
Specialty clinics rent	85,057	75,224
Rental income, net	136,829	140,329
Miscellaneous, net	<u>436,440</u>	<u>197,337</u>
 Totals	 <u>\$2,360,895</u>	 <u>\$1,446,856</u>

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

Year ended June 30, 2020, with comparative totals for 2019

	2020			2019
	Salaries	Other	Total	Total
NURSING SERVICE				
Administrative	\$ 196,832	\$ 21,803	\$ 218,635	\$ 182,815
Medical and surgical	2,343,098	604,775	2,947,873	2,461,376
Critical care unit	8,383	-	8,383	8,202
Operating and recovery rooms	880,335	1,382,341	2,262,676	2,226,967
Central supply	51,596	49,494	101,090	166,871
Emergency services	<u>1,059,762</u>	<u>2,009,483</u>	<u>3,069,245</u>	<u>2,937,268</u>
Total nursing service	<u>4,540,006</u>	<u>4,067,896</u>	<u>8,607,902</u>	<u>7,983,499</u>
OTHER PROFESSIONAL SERVICE				
Laboratory and blood bank	738,161	1,466,237	2,204,398	1,940,719
Electrocardiology	40,355	22,044	62,399	66,827
Radiology	636,284	816,259	1,452,543	1,429,314
CT scans	-	231,135	231,135	212,567
Magnetic resonance imaging	-	231,405	231,405	242,506
Pharmacy	479,772	6,552,223	7,031,995	6,213,887
Anesthesiology	-	602,995	602,995	640,365
Ophthalmology	315,497	17,735	333,232	361,972
Respiratory therapy	223,001	46,773	269,774	251,723
Physical therapy	383,633	404,597	788,230	883,386
Speech therapy	50,650	10,167	60,817	35,758
Occupational therapy	110,180	129,950	240,130	264,727
Physicians clinic	1,377,070	71,810	1,448,880	1,176,475
Walk in clinic	-	-	-	223
Fairfield clinic	-	26,712	26,712	43,030
Medical records	372,826	80,373	453,199	429,743
Quality assurance	318,903	12,637	331,540	340,906
Medical Arts	5,570,266	1,156,999	6,727,265	6,404,589
Sleep lab	101,965	22,635	124,600	121,261
Rheumatology	26,230	145,551	171,781	124,274
Oncology	334,131	556,594	890,725	915,609
GI Clinic	5,516	235,165	240,681	281,099
Dialysis	<u>4,664</u>	<u>1,151</u>	<u>5,815</u>	<u>8,534</u>
Total other professional service	<u>11,089,104</u>	<u>12,841,147</u>	<u>23,930,251</u>	<u>22,389,494</u>
GENERAL SERVICE				
Dietary	432,428	339,659	772,087	743,384
Plant operation and maintenance	459,640	1,064,170	1,523,810	1,429,200
Housekeeping	370,471	114,892	485,363	445,751
Laundry and linen	-	160,610	160,610	145,043
Total general service	<u>1,262,539</u>	<u>1,679,331</u>	<u>2,941,870</u>	<u>2,763,378</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
EXPENSES (continued)
Year ended June 30, 2020, with comparative totals for 2019**

	2020			2019
	Salaries	Other	Total	Total
FISCAL AND ADMINISTRATIVE SERVICE				
Administrative	581,994	280,468	862,462	739,560
Fiscal and accounting	817,539	940,321	1,757,860	1,693,239
Purchasing and stores	187,128	14,784	201,912	204,622
Public relations	74,383	49,646	124,029	154,850
Data processing	216,748	539,617	756,365	622,710
Human resources	119,246	55,828	175,074	131,407
UNASSIGNED EXPENSES				
Physician recruiting	-	59,701	59,701	224,626
Insurance	-	337,230	337,230	302,955
Employee benefits				
FICA	-	1,243,338	1,243,338	1,158,332
IPERS	-	3,241,312	3,241,312	2,935,434
Group health insurance	-	1,714,206	1,714,206	2,217,073
Group disability insurance	-	42,293	42,293	36,396
Workers' compensation	-	118,567	118,567	161,761
Other employee benefits	-	81,207	81,207	80,659
Total fiscal and administrative and unassigned expenses	<u>1,997,038</u>	<u>8,718,518</u>	<u>10,715,556</u>	<u>10,663,624</u>
PROVISION FOR DEPRECIATION AND AMORTIZATION				
	-	3,966,266	3,966,266	4,117,778
Total expenses	<u>\$18,888,687</u>	<u>\$31,273,158</u>	<u>\$50,161,845</u>	<u>\$47,917,773</u>

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

		<u>Year ended June 30</u>		
		<u>2020</u>	<u>2019</u>	<u>2018</u>
Staffed Beds		25	25	25
Patient Days	Adult and pediatric	1,555	1,604	1,468
	Swing bed	1,790	1,840	1,893
Admissions	Adult and pediatric	481	475	426
	Swing bed	147	163	181
Percent Occupancy	Adult and pediatric	16.99%	17.58%	16.09%
Outpatient Surgeries		886	987	1,058
Outpatient visits		121,857	130,256	134,667
Adopted County Budgets				

<u>Purpose</u>	<u>Budget year June 30</u>			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Ambulance	\$ 252,403	\$ 247,386	\$ 230,483	\$ 223,602
General	252,403	247,386	230,483	223,602
Insurance	-	-	-	-
FICA	380,982	386,941	360,515	349,750
IPERS	<u>263,141</u>	<u>267,257</u>	<u>249,002</u>	<u>241,570</u>
Total budget	<u>\$1,148,929</u>	<u>\$1,148,970</u>	<u>\$1,070,483</u>	<u>\$1,038,524</u>
Net Taxable Value (in thousands)	\$ 921,752	\$ 903,697	\$ 841,465	\$ 815,778

		<u>Year ended June 30</u>		
		<u>2020</u>	<u>2019</u>	<u>2018</u>
Key Operating Ratios	Net days revenue in accounts receivable	55	61	69
	Current ratio	2.12	2.70	3.42
	Debt service coverage ratio	1.87	1.12	1.63
	Ratio of operating expense to operating revenues	1.07	1.07	1.05
	Days cash on hand	164	111	86
Investment Position	Unrestricted cash and investments	<u>\$19,938,270</u>	<u>\$12,894,237</u>	
	Cash operating expenses:			
	Total operating expenses	\$50,161,845	\$47,917,773	
	Less: Depreciation and amortization	(3,966,266)	(4,117,778)	
	IPERS and OPEB adjustments	<u>(1,625,314)</u>	<u>(1,345,359)</u>	
		<u>\$44,570,265</u>	<u>\$42,454,636</u>	
	Daily cash expenses	<u>\$ 121,777</u>	<u>\$ 116,314</u>	
	Days cash on hand	<u>164</u>	<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, 2020, and the related notes to the financial statements, which collectively comprise Jefferson County Health Center's basic financial statements, and have issued our report thereon dated October 26, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health Center'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 Health Center's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Health Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. 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 Health Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 26, 2020

**Jefferson County Hospital
d/b/a Jefferson County Health Center
SCHEDULE OF FINDINGS
Year ended June 30, 2020**

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

20-II-A CERTIFIED BUDGET

Based on a comparison of actual operating expenses with County Hospital budgeted basis expenditures, it appears the Health Center did not exceed its budget for the year ended June 30, 2020.

20-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Health Center funds were noted.

20-II-C TRAVEL EXPENSES

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

20-II-D BUSINESS TRANSACTIONS

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

20-II-E BOARD MINUTES

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

20-II-F DEPOSITS AND INVESTMENTS

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

20-II-G RESTRICTED DONOR ACTIVITY

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