

Financial Statements  
June 30, 2025 and 2024



People's Memorial Hospital  
d/b/a Buchanan County Health Center  
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June 30, 2025 and 2024

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People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Board of Trustees and Health Center Officials

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Trustees</u>		
Rob Robinson	Chairperson	2028
Dennis Donlea	Vice Chairperson	2026
Donnie Bloes	Secretary	2026
Anne McMillan	Treasurer	2028
Christine Nelson	Trustee	2026
<u>Health Center Officials</u>		
Wade Weis	Chief Executive Officer	
Tara McEnany	Chief Nursing Officer	
Anthony Fortmann	Chief Financial Officer	



## **Independent Auditor's Report**

To the Board of Trustees  
People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Independence, Iowa

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the business-type activities of People's Memorial Hospital d/b/a Buchanan County Health Center (Health Center), as of and for the years then ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Health Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Health Center, as of June 30, 2025 and 2024, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Health Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Adoption of New Accounting Standard***

As discussed in Note 1 to the financial statements, the Health Center has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Accordingly, a restatement has been made to the net position as of July 1, 2023, to restate beginning net position. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health Center's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 12, the Schedule of the Health Center's Proportionate Share of the Net Pension Liability, and the Schedule of the Health Center's Contributions on pages 47 through 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 December 17, 2025, on our consideration of the Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

A handwritten signature in cursive script that reads "Eric Sallie LLP".

Dubuque, Iowa  
December 17, 2025

This discussion and analysis of the financial performance of People's Memorial Hospital, d/b/a Buchanan County Health Center (Health Center), provides an overall review of the Health Center's financial activities and balances as of and for the years ended June 30, 2025, 2024, and 2023. The intent of this discussion is to provide further information on the Health Center's performance as a whole. We encourage readers to consider the information presented here in conjunction with the Health Center's financial statements, including the notes, to enhance their understanding of the Health Center's financial status.

### **Overview of the Financial Statements**

The financial statements are composed of the statements of net position; statements of revenues, expenses, and changes in net position; and the statements of cash flows. The financial statements also include notes that explain in more detail some of the information in the financial statements. The financial statements are designed to provide readers with a broad overview of the Health Center's finances.

The Health Center's financial statements offer short and long-term information about its activities. The statements of net position include all of the Health Center's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to Health Center creditors (liabilities). The statements of net position also provide 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 statements of revenues, expenses, and changes in net position. These statements measure the success of the Health Center's operations over the past year and can be used to determine whether the Health Center has successfully recovered all of its costs through its patient and resident service revenue and other revenue sources. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period.

The final statement is the statement of cash flows. These statements report cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities. They also provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Effective July 1, 2023, the Health Center adopted provisions of GASB Statement No. 101, *Compensated Absences*. As a result of this change in accounting principle, it was not appropriate for the Health Center to restate prior-period information for earlier periods than those presented in the basic financial statements. Therefore, information for the year ended June 30, 2023, was not restated. See Note 1 to the financial statements for further information on the change in accounting principle.

## Financial Highlights

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report the net position of the Health Center and the changes in it. The Health Center's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - 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 non-financial factors such as changes in economic condition, population growth and new or changed governmental legislation should also be considered.

- The Statement of Net Position at June 30, 2025, indicates total assets of \$95,492,887, total deferred outflows of resources of \$4,126,335, total liabilities of \$38,061,271, total deferred inflows of resources of \$1,778,833, and net position of \$59,779,118. The Statement of Net Position at June 30, 2024, indicates total assets of \$85,437,187, total deferred outflows of resources of \$4,810,032, total liabilities of \$39,234,468, total deferred inflows of resources of \$1,723,580, and net position of \$49,289,171. The Statement of Net Position at June 30, 2023, indicates total assets of \$76,588,753, total deferred outflows of resources of \$3,579,216, total liabilities of \$35,222,533, total deferred inflows of resources of \$2,520,360, and net position of \$42,425,076.
- The Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2025 indicates total net patient and resident service revenue of \$65,016,667 increased 14.50%, other operating revenues of \$7,345,555 increased 19.08%, and total operating expenses of \$63,642,529 increased 11.73% from the previous year, resulting in operating income of \$8,719,693. Net non-operating revenues of \$1,755,290 and contributions for capital assets of \$14,964 brings the change in net position to \$10,489,947. The Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2024, indicates total net patient and resident service revenue of \$56,781,186 increased 19.19%, other operating revenues of \$6,168,698 decreased 9.69%, and total operating expenses of \$56,962,086 increased 13.12% from the previous year, resulting in operating income of \$5,987,798. Net non-operating revenues of \$1,799,934 brings the change in net position to \$7,787,732. The Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2023 indicates total net patient and resident service revenue of \$47,640,382 increased 7.43%, other operating revenues of \$6,830,867 increased 26.59%, and total operating expenses of \$50,355,264 increased 10.42% from the previous year, resulting in operating income of \$4,115,985. Net non-operating revenues of \$1,339,749 brings the change in net position to \$5,455,734.
- The Health Center's current assets exceeded its current liabilities by \$30,489,571 at June 30, 2025, providing a 5.54 current ratio. The Health Center's current assets exceeded its current liabilities by \$26,485,036 at June 30, 2024, providing a 4.38 current ratio. The Health Center's current assets exceeded its current liabilities by \$27,857,371 at June 30, 2023, providing a 6.57 current ratio.
- The Health Center's total days of cash on hand at June 30, 2025, were 221 (not including debt funds). The Health Center's total days of cash on hand at June 30, 2024, were 233 (not including debt funds). The Health Center's total days of cash on hand at June 30, 2023, were 272 (not including debt funds).
- Gross outpatient charges increased 14.31% during fiscal year 2025. Gross outpatient charges increased 12.47% during fiscal year 2024. Gross outpatient charges increased 10.65% during fiscal year 2023.
- Nursing Home gross charges decreased 2.86% during fiscal year 2025. Nursing Home gross charges increased 15.19% during fiscal year 2024. Nursing Home gross charges increased 3.41% during fiscal year 2023.



- Net patient and resident days in accounts receivable were 44 days at June 30, 2025. Net patient and resident days in accounts receivable were 35 days at June 30, 2024. Net patient and resident days in accounts receivable were 38 days at June 30, 2023.
- Statistical information for the year ended June 30, 2025:
  - 450 - Acute Care patient days (10.00% decrease)
  - 321 – Swing-bed patient days (32.64% increase)
  - 12,395 - Nursing Care Center patient days (9.52% decrease)
  - 2,404 - Surgical Cases (14.64% increase)
  - 106,595 - Laboratory tests (8.39% increase)
  - 18,359 - X-Rays (7.07% increase)
  - 29,767 - Physical Therapy modalities (6.11% increase)
  - 5,662 - Emergency Room patients (4.58% increase)

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Management's Discussion and Analysis

Condensed Financial Statements  
Statements of Net Position

	2025	June 30, 2024 (restated)	2023
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	\$ 15,665,051	\$ 12,117,418	\$ 11,637,400
Short-term investments	10,552,848	12,217,443	12,758,356
Assets limited as to use or restricted	23,416	69,924	77,610
Patient and resident receivables, net	7,288,263	5,639,359	5,105,056
Succeeding year property tax receivable	1,469,153	1,431,119	1,382,092
Estimated third-party payor settlements	37,000	1,185,370	-
Other current assets	2,169,051	1,670,066	1,894,317
Total current assets	37,204,782	34,330,699	32,854,831
Assets Limited as to Use or Restricted	11,016,506	10,827,913	11,508,859
Capital Assets	47,123,599	40,130,575	32,077,063
Beneficial Interest in Charitable Trust	148,000	148,000	148,000
Total assets	95,492,887	85,437,187	76,588,753
Deferred Outflows of Resources			
Pension related deferred outflows	4,126,335	4,810,032	3,579,216
Total assets and deferred outflows of resources	<u>\$ 99,619,222</u>	<u>\$ 90,247,219</u>	<u>\$ 80,167,969</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Management's Discussion and Analysis

Condensed Financial Statements  
Statements of Net Position

	2025	June 30, 2024 (restated)	2023
Liabilities, Deferred Inflows of Resources, and Net Position			
Current Liabilities			
Current maturities of long-term debt	\$ 680,857	\$ 1,121,641	\$ 1,211,805
Current maturities of lease liabilities	487,821	349,422	414,774
Current maturities of subscription IT liabilities	12,048	140,492	140,802
Accounts payable			
Trade	1,396,147	1,794,521	947,821
Construction	899,736	1,529,005	-
Estimated third-party payor settlements	-	25,155	14,000
Accrued expenses	3,238,602	2,885,427	2,268,258
Total current liabilities	<u>6,715,211</u>	<u>7,845,663</u>	<u>4,997,460</u>
Noncurrent Liabilities			
Deposits	1,885,100	1,772,500	1,789,850
Refundable advance - Employee Retention Tax Credit	1,527,385	-	-
Accrued expenses, less current maturities	981,479	793,000	-
Long-term debt, less current maturities	17,060,234	17,822,359	18,967,472
Lease liabilities, less current maturities	1,700,922	1,654,199	1,526,695
Subscription IT liabilities, less current maturities	-	12,049	152,543
Net pension liability	8,190,940	9,334,698	7,788,513
Total noncurrent liabilities	<u>31,346,060</u>	<u>31,388,805</u>	<u>30,225,073</u>
Total liabilities	<u>38,061,271</u>	<u>39,234,468</u>	<u>35,222,533</u>
Deferred Inflows of Resources			
Deferred revenue for succeeding year property tax receivable	1,469,153	1,431,119	1,382,092
Pension related deferred inflows	9,091	41,239	949,845
Deferred revenue	300,589	251,222	188,423
Total deferred inflows of resources	<u>1,778,833</u>	<u>1,723,580</u>	<u>2,520,360</u>
Net Position			
Net investment in capital assets	25,442,827	16,738,143	8,850,418
Restricted	178,566	218,989	225,610
Unrestricted	34,157,725	32,332,039	33,349,048
Total net position	<u>59,779,118</u>	<u>49,289,171</u>	<u>42,425,076</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 99,619,222</u>	<u>\$ 90,247,219</u>	<u>\$ 80,167,969</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Management's Discussion and Analysis

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30,		
	2025	2024 (restated)	2023
Operating Revenues			
Net patient and resident service revenue (net of provision for bad debts)	\$ 65,016,667	\$ 56,781,186	\$ 47,640,382
Other operating revenues	7,345,555	6,168,698	6,830,867
Total Operating Revenues	72,362,222	62,949,884	54,471,249
Operating Expenses			
Salaries and wages	23,991,173	22,605,161	19,772,434
Employee benefits	7,041,115	6,370,064	5,139,260
Supplies and other expenses	28,093,227	23,969,899	21,274,345
Depreciation and amortization	4,517,014	4,016,962	4,169,225
Total Operating Expenses	63,642,529	56,962,086	50,355,264
Operating Income	8,719,693	5,987,798	4,115,985
Nonoperating Revenues (Expenses)			
Property tax revenue	1,468,385	1,418,930	1,379,570
Provider relief funds	-	-	-
Paycheck Protection Program loan forgiveness	-	-	-
Noncapital grants and contributions	38,902	21,397	33,218
Investment income	810,325	960,189	480,210
Interest expense	(600,776)	(634,729)	(661,161)
Rental income	37,554	33,162	106,287
Gain on disposal of capital assets	900	985	1,625
Net Nonoperating Revenues (Expenses)	1,755,290	1,799,934	1,339,749
Revenues in Excess of Expenses Before Capital Contributions	10,474,983	7,787,732	5,455,734
Contributions for Capital Assets	14,964	-	-
Change in Net Position	10,489,947	7,787,732 *	5,455,734
Net Position, Beginning of Year, as Previously Reported	49,289,171	42,425,076	36,969,342
Restatement	-	(923,637)	-
Net Position, Beginning of Year, as Restated	49,289,171	41,501,439	36,969,342
Net Position, End of Year	\$ 59,779,118	\$ 49,289,171	\$ 42,425,076

\*- The retroactive adoption of GASB 101, *Compensated Absences*, in fiscal year 2025 resulted in an increase of \$83,967 to fiscal year 2024 previously reported change in net position.

### **Capital Assets**

Significant capital purchases included:

- \$ 9,100,000 – Inpatient building and 2nd floor development
- \$ 150,000 – Two ultrasound machines
- \$ 142,000 – LTC chiller
- \$ 116,000 – Oak View air conditioning units
- \$ 113,000 – Three Omnicell units for surgery

### **Long-Term Liabilities**

The Health Center had \$19,941,882 in short-term and long-term debt, lease liabilities, and subscription IT arrangements at June 30, 2025. The Health Center had \$21,100,162, in short-term and long-term debt, lease liabilities, and subscription IT arrangements at June 30, 2024, and \$22,414,091 in short-term and long-term debt, lease liabilities, and subscription IT arrangements at June 30, 2023. The debt, lease, and subscription IT arrangements were incurred to update the facility (including the hospital expansion project) and to continue to invest in new equipment and technology.

### **Economic and Other Factors and Next Year's Budget**

The Health Center's Board and management considered many factors when preparing the fiscal year 2026 budget. Primary consideration in the 2026 budget are the unknowns of healthcare transformation, reform, and the continued difficulty in the status of the economy.

Items listed below were also considered:

- Medicare and Medicaid reimbursement rates
- Managed care contracts
- Increase in self-pay accounts receivable due to uninsured and underinsured
- Medicaid Expansion impacts on payor mix changes
- Nursing Care Center reimbursement
- Volume changes and trends
- Staffing benchmarks
- Employed provider and productivity opportunities
- Increased expectations for quality at a lower price
- Salary and benefit costs
- Self-insured health insurance risks
- Surging drug costs
- Energy costs
- Patient safety initiatives
- Pay-for-performance and quality indicators
- Technology advances
- Inflation
- Investment forecasting
- Aging of plant and equipment

### **Summary**

The Health Center's Board of Trustees and Administrative Council continue to be extremely proud of the excellent patient care, dedication, commitment and support each of our employees provide to every person they serve. We would also like to thank each member of the Health Center's medical staff for their dedication and support provided.

### **Contacting the Health Center's Finance Department**

The Health Center's financial statements are designed to present users with a general overview of the Health Center's finances and to demonstrate the Health Center's accountability. If you have questions about the report or need additional financial information, please contact the finance department at the following address:

Buchanan County Health Center  
1600 First Street East  
Independence, Iowa 50644

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Statements of Net Position  
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u> (restated)
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 15,665,051	\$ 12,117,418
Short-term investments	10,552,848	12,217,443
Assets limited as to use or restricted		
Restricted under debt agreements	23,416	69,924
Receivables		
Patient and resident, net of estimated uncollectibles of \$1,492,000 in 2025 and \$1,510,000 in 2024	7,288,263	5,639,359
Succeeding year property tax	1,469,153	1,431,119
Estimated third-party payor settlements	37,000	1,185,370
Other	372,226	293,510
Supplies	1,130,661	1,055,950
Prepaid expense	666,164	320,606
Total current assets	<u>37,204,782</u>	<u>34,330,699</u>
Assets Limited as to Use or Restricted		
Restricted under debt agreements	1,045,946	1,009,235
By board for capital improvements	9,970,560	9,818,678
Total assets limited as to use or restricted	<u>11,016,506</u>	<u>10,827,913</u>
Capital Assets		
Capital assets not being depreciated	3,794,035	12,683,681
Capital assets being depreciated, net	41,263,568	25,394,454
Right to use leased assets, net	1,996,855	1,895,553
Right to use subscription IT assets, net	69,141	156,887
Total capital assets	<u>47,123,599</u>	<u>40,130,575</u>
Other Assets		
Beneficial interest in charitable trust	148,000	148,000
Total assets	95,492,887	85,437,187
Deferred Outflows of Resources		
Pension related deferred outflows	4,126,335	4,810,032
Total assets and deferred outflows of resources	<u>\$ 99,619,222</u>	<u>\$ 90,247,219</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Statements of Net Position  
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u> (restated)
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Current maturities of long term debt	\$ 680,857	\$ 1,121,641
Current maturities of lease liabilities	487,821	349,422
Current maturities of subscription IT liabilities	12,048	140,492
Accounts payable		
Trade	1,396,147	1,794,521
Construction	899,736	1,529,005
Estimated third-party payor settlements	-	25,155
Accrued expenses		
Salaries and wages	1,177,107	995,196
Compensated absences	1,380,988	1,283,565
Payroll taxes and other	652,077	579,676
Interest	28,430	26,990
Total current liabilities	<u>6,715,211</u>	<u>7,845,663</u>
Noncurrent Liabilities		
Deposits	1,885,100	1,772,500
Refundable advance - Employee Retention Tax Credit	1,527,385	-
Accrued expenses		
Compensated absences, less current maturities	981,479	793,000
Long term debt, less current maturities	17,060,234	17,822,359
Lease liabilities, less current maturities	1,700,922	1,654,199
Subscription IT liabilities, less current maturities	-	12,049
Net pension liability	8,190,940	9,334,698
Total noncurrent liabilities	<u>31,346,060</u>	<u>31,388,805</u>
Total liabilities	<u>38,061,271</u>	<u>39,234,468</u>
Deferred Inflows of Resources		
Deferred revenue for succeeding year property tax	1,469,153	1,431,119
Pension related deferred inflows	9,091	41,239
Deferred revenue	300,589	251,222
Total deferred inflows of resources	<u>1,778,833</u>	<u>1,723,580</u>
Net Position		
Net investment in capital assets	25,442,827	16,738,143
Restricted		
Expendable for future capital acquisitions	7,150	1,065
Expendable for debt service	23,416	69,924
Nonexpendable beneficial interest in charitable trust	148,000	148,000
Unrestricted	34,157,725	32,332,039
Total net position	<u>59,779,118</u>	<u>49,289,171</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 99,619,222</u>	<u>\$ 90,247,219</u>



People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u> (restated)
Operating Revenues		
Net patient and resident service revenue (net of provision for bad debts of \$1,481,943 in 2025 and \$1,612,055 in 2024)	\$ 65,016,667	\$ 56,781,186
Other operating revenues	<u>7,345,555</u>	<u>6,168,698</u>
Total operating revenues	<u>72,362,222</u>	<u>62,949,884</u>
Operating Expenses		
Salaries and wages	23,991,173	22,605,161
Employee benefits	7,041,115	6,370,064
Supplies and other expenses	28,093,227	23,969,899
Depreciation and amortization	<u>4,517,014</u>	<u>4,016,962</u>
Total operating expenses	<u>63,642,529</u>	<u>56,962,086</u>
Operating Income	<u>8,719,693</u>	<u>5,987,798</u>
Nonoperating Revenues (Expenses)		
Property tax revenue	1,468,385	1,418,930
Noncapital grants and contributions	38,902	21,397
Investment income	810,325	960,189
Interest expense	(600,776)	(634,729)
Rental income	37,554	33,162
Gain on disposal of capital assets	<u>900</u>	<u>985</u>
Net nonoperating revenues (expenses)	<u>1,755,290</u>	<u>1,799,934</u>
Revenues in Excess of Expenses Before Capital Contributions	10,474,983	7,787,732
Contributions for Capital Assets	<u>14,964</u>	<u>-</u>
Change in Net Position	<u>10,489,947</u>	<u>7,787,732</u>
Net Position, Beginning of Year, as Previously Reported	49,289,171	42,425,076
Adjustment for Adoption of GASB 101 (Note 14)	<u>-</u>	<u>(923,637)</u>
Net Position, Beginning of Year, as Restated	<u>49,289,171</u>	<u>41,501,439</u>
Net Position, End of Year	<u>\$ 59,779,118</u>	<u>\$ 49,289,171</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Statements of Cash Flows  
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u> (restated)
Operating Activities		
Receipts from and on behalf of patients and residents	\$ 64,540,345	\$ 55,135,467
Other receipts and payments, net	7,243,339	6,318,611
Payments to and on behalf of employees	(29,456,898)	(29,081,930)
Payments to suppliers and contractors	<u>(28,911,870)</u>	<u>(23,156,141)</u>
Net Cash from Operating Activities	<u>13,414,916</u>	<u>9,216,007</u>
Noncapital Financing Activities		
Property tax revenue received	1,468,385	1,418,930
Noncapital grants and contributions received	<u>38,902</u>	<u>21,397</u>
Net Cash from Noncapital Financing Activities	<u>1,507,287</u>	<u>1,440,327</u>
Capital and Capital Related Financing Activities		
Purchase of capital assets	(11,539,185)	(10,074,565)
Proceeds from sale of capital assets	900	985
Contributions for capital assets	14,964	-
Proceeds from residency deposits	228,500	569,850
Payments of residency deposits	(92,400)	(469,900)
Principal payments on lease liabilities	(415,000)	(414,772)
Interest payments on lease liabilities	(82,371)	(69,192)
Principal payments on subscription IT liabilities	(140,493)	(140,804)
Interest payments on subscription IT liabilities	(4,135)	(11,458)
Principal payments on long-term debt	(1,202,909)	(1,235,277)
Interest payments on long-term debt	<u>(512,830)</u>	<u>(554,079)</u>
Net Cash used for Capital and Capital Related Financing Activities	<u>(13,744,959)</u>	<u>(12,399,212)</u>
Investing Activities		
Sales of noncurrent and short-term investments	2,212,932	5,587,259
Purchases of noncurrent and short-term investments	(681,119)	-
Investment income received	810,325	960,189
Rental income received	<u>37,554</u>	<u>33,162</u>
Net Cash from Investing Activities	<u>2,379,692</u>	<u>6,580,610</u>
Net Change in Cash and Cash Equivalents	3,556,936	4,837,732
Cash and Cash Equivalents, Beginning of Year	<u>19,884,165</u>	<u>15,046,433</u>
Cash and Cash Equivalents, End of Year	<u>\$ 23,441,101</u>	<u>\$ 19,884,165</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Statements of Cash Flows  
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u> (restated)
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents in current assets	\$ 15,665,051	\$ 12,117,418
Cash and cash equivalents included in assets limited as to use or restricted, including current portion	<u>7,776,050</u>	<u>7,766,747</u>
Total Cash and Cash Equivalents	<u>\$ 23,441,101</u>	<u>\$ 19,884,165</u>
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 8,719,693	\$ 5,987,798
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and amortization	4,517,014	4,016,962
Expense of non-capitalized construction in progress	-	10,020
Amortization of deposits	(23,500)	(117,300)
Provision for bad debts	1,481,943	1,612,055
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Receivables	(3,209,563)	(1,879,145)
Estimated third-party payor settlements	1,123,215	(1,174,215)
Supplies	(74,711)	(116,910)
Prepaid expense	(345,558)	73,948
Trade accounts payable	(398,374)	846,700
Accrued expenses	540,214	486,532
Refundable advance - Employee Retention Tax Credit	1,527,385	-
Net pension liability	(1,143,758)	1,546,185
Deferred outflows of resources	683,697	(1,230,816)
Deferred inflows of resources	<u>17,219</u>	<u>(845,807)</u>
Net Cash from Operating Activities	<u>\$ 13,414,916</u>	<u>\$ 9,216,007</u>
Supplemental Disclosure of Noncash Information		
Accounts payable for construction and equipment	<u>\$ 899,736</u>	<u>\$ 1,529,005</u>
Acquisition of right to use leased assets	<u>\$ 600,122</u>	<u>\$ 476,924</u>

## **Note 1 - Reporting Entity and Summary of Significant Accounting Policies**

The financial statements of People's Memorial Hospital, d/b/a Buchanan County Health Center (Health Center), have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Health Center are described below.

### **Reporting Entity**

The Health Center, located in Independence, Iowa, is a 25-bed public hospital and a 39-bed nursing care center, organized under Chapter 347A of the Iowa Code and governed by a five-member Board of Trustees elected for alternating terms of six years. The Health Center also operates an independent living center (Oak View), which develops housing facilities within the Independence, Iowa area for retired individuals with a lifelong plan for independent living and dependent care.

For financial reporting purposes, the Health Center has included all funds, organizations, agencies, boards, commissions, and authorities. 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.

The Health Center has no component units which meet the GASB criteria.

### **Tax Exempt Status**

The Health Center is an Iowa nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3). The Health Center is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose, as applicable.

The Health Center believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Health Center would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Measurement Focus and Basis of Accounting**

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with GAAP. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

### **Basis of Presentation**

The statement of net position displays the Health Center's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

*Net investment in capital assets* consists of net capital assets and right to use leased assets, and subscription IT assets, reduced by the outstanding balances of any related debt obligations, lease liabilities, and subscription IT liabilities, deposits, and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

*Restricted net position:*

*Restricted nonexpendable net position* is subject to externally imposed stipulations which require them to be maintained permanently by the Health Center.

*Restricted expendable net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Health Center's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and noncurrent cash and investments. For purposes of the statement of cash flows, the Health Center considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

### **Short-term Investments**

Short-term investments consist of certificates of deposit with an original maturity of three to twelve months, excluding internally designated or restricted cash and investments.

### **Patient and Resident Receivables**

Patient and resident receivables are uncollateralized patient, resident, and third-party payor obligations. Unpaid patient and resident receivables are not charged interest on amounts owed. Payments of patient and resident receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amounts of patient and resident receivables is reduced by a valuation allowance that reflects management's estimate of amount that will not be collected from patients, residents, and third-party payors. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amount that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

### **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. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Trustees 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 Trustees 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.

Property tax revenue recognized by the Health Center becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2023 assessed property valuations; is for the tax accrual period July 1, 2024 through June 30, 2025, and reflects the tax asking contained in the budget certified by the County Auditor in March 2024.

### **Supplies**

Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

### **Assets Limited as to Use or Restricted**

Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Restricted funds are used to differentiate resources, the use of which is restricted by donors or grantors, from resources of general funds on which donors or grantors place no restriction, or which arise as a result of the operations of the Health Center for its stated purposes. Restricted funds also include assets which are restricted by debt agreements.

### **Investment Income**

Interest on cash and deposits is included in non-operating revenues when earned.

### **Capital Assets**

Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation/amortization is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of capital assets are as follows:

Land improvements	10-20 years
Buildings and improvements	5-40 years
Equipment	3-15 years
Intangibles	5 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are excluded from revenues in excess of (less than) expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

### **Right to Use Leased Assets**

Right to use leased assets are recognized at the lease commencement date and represent the Health Center's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, plus any indirect costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 8 years.

Leased assets are reported with other capital assets on the statements of net position. Amortization for right to use leased assets is included in depreciation and amortization expense in the financial statements.

#### **Right to Use Subscription IT Assets**

Right to use subscription IT assets are recognized at the subscription commencement date and represent the Health Center's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 8 years. Subscription-based IT assets are reported with other capital assets on the statements of net position.

#### **Impairment of Long-Lived Assets**

The Health Center considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the years ended June 30, 2025 and 2024.

#### **Beneficial Interest in Charitable Trusts Held by Others**

The Health Center has been named as an irrevocable beneficiary of a charitable trust held and administered by an independent trustee. The trust was created independently by a donor and is administered by an outside agent designated by the donor. The Health Center has neither possession nor control over the assets of the Trust.

At the date the Health Center receives notice of a beneficial interest, a contribution is recorded in the statements of revenues, expenses, and changes in net position, and a beneficial interest in a charitable trust is recorded in the statements of net position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement.

Thereafter, beneficial interests in the trusts are reported at fair value in the statements of net position, with changes in fair value recognized in the statements of revenues, expenses, and changes in net position. Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, restricted net position is released to unrestricted net position.



### **Deferred Outflows of Resources**

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

### **Lease Liabilities**

Lease liabilities represent the Health Center's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the Health Center.

### **Subscription IT Liabilities**

Subscription liabilities represent the Health Center's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the Health Center.

### **Pension**

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.

### **Refundable Advance – Employee Retention Tax Credit**

The Health Center has recorded payments received from the Employee Retention Tax Credit (ERC) as refundable advance – employee retention credit until management completes its evaluation of the Health Center's eligibility as it pertains to the terms and conditions governing the ERC program.

### **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. Items qualifying for reporting in this category are deferred revenue related to succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, deferred nursing home charges which will be recognized in the month which the services are rendered, and unrecognized items not yet charged to pension expense.

### **Compensated Absences**

Health Center employees accumulate a limited amount of earned but unused paid time off (PTO) hours for subsequent use or for payment upon termination, death, or retirement. Health Center employees also are compensated for extended sick leave (ESL) for employees to use in the event of an extended illness or injury. The cost of projected PTO and ESL payouts are included within accrued expenses on the statement of net position based on pay rates that are in effect at June 30, 2025 and 2024, plus a factor for incremental salary-related payments.

### **Deposits**

The Health Center enters into residency agreements with the tenants of the Oak View independent living units. At the time a residency agreement is signed, the tenant must pay the full amount of an entrance payment. Based upon the schedule in place at the time a residency agreement was signed, a portion of the entrance payment is recognized as income, and the remaining percentage of the entrance payment is fully refundable upon termination. The refundable amounts are shown as deposits payable under noncurrent liabilities on the statement of net position.

### **Operating Revenues and Expenses**

The Health Center's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating activities. Operating activities result from exchange transactions associated with providing health care services – the Health Center's principal activity, and the cost of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

### **Net Patient and Resident 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. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and a provision for uncollectible accounts. 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.

### **Charity Care and Community Benefits**

The Health Center provides care to patients and residents 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.

The estimated cost of providing these services was approximately \$173,000 and \$109,000 for the years June 30, 2025 and 2024, respectively, calculated by multiplying the ratio of cost to gross charges for the Health Center by the gross uncompensated charges associated with providing charity care benefits to its patients.

### **340B Drug Pricing Program**

The Health Center participates in the 340B Drug Pricing Program (340B Program) enabling the Health Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases and enter into contracts with unrelated pharmacies who provide certain prescription drugs to Health Center outpatients. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes.

Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near future. During the years ended June 30, 2025 and 2024, the Health Center recognized \$1,935,671 and \$1,606,827 of other operating revenue related to the 340B Program.

### **Grants and Contributions**

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after net non-operating revenues. Amounts restricted to capital acquisitions are reported after revenues in excess of expenses.

### **Advertising Costs**

Costs incurred for producing and distributing advertising are expensed as incurred. The Health Center incurred \$177,783 and \$163,939 for advertising costs for the years ended June 30, 2025 and 2024.

### **Adoption of New Standard**

As of July 1, 2023, the Health Center adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provide guidance for a consistent recognition and measurement of the compensated absence liability. The effects of the implementation of this standard are disclosed in Note 14.

### **Reclassifications**

Reclassifications have been made to the June 30, 2024, financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported operating results or changes in net position.

**Note 2 - Net Patient and Resident 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 is as follows:

**Medicare**

The Health Center is licensed as a Critical Access Hospital (CAH). The Health Center is reimbursed for most acute care services under a cost methodology with final settlement determined after submission of annual cost reports by the Health Center and are subject to audits thereof by the Medicare intermediary. The Health Center's Medicare cost reports have been audited by the Medicare Administrative Contractor through the year ended June 30, 2023. Clinical services are paid on a cost basis or a fixed fee schedule.

**Medicaid**

Inpatient and outpatient services rendered to Medicaid program beneficiaries not covered under Medicaid Managed Care Organization Contracts are paid 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 Medicaid fiscal intermediary. The Health Center's Medicaid cost reports have been processed through the year ended June 30, 2021. Also, inpatient, outpatient, and clinical services rendered to Medicaid program beneficiaries who are covered under Medicaid Managed Care Organization contracts are paid primarily based on a prospective payment methodology.

**Blue Cross**

Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge. Outpatient services are reimbursed at outpatient payment fee screens or at charges less a prospectively determined discount. The prospectively determined discount is not subject to retroactive adjustment.

**Nursing Care Center**

Routine services rendered to nursing care center residents who are beneficiaries of the Medicaid program are paid according to a schedule of prospectively determined daily rates.

**Other Payors**

The Health Center has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Health Center under these agreements may include prospectively determined rates and discounts from established charges.

Concentration of gross revenues by major payor accounted for the following percentages of the Health Center's patient and resident service revenues for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Medicare	50%	50%
Medicaid	12%	11%
Blue Cross	23%	23%
Other commercial	12%	12%
Self-pay	<u>3%</u>	<u>4%</u>
	<u><u>100%</u></u>	<u><u>100%</u></u>

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient and resident service revenue for the years ended June 30, 2025 and 2024, increased approximately \$390,000 and \$275,000 due to prior-year retroactive adjustments in excess of amounts previously estimated and years that are no longer subject to audits, reviews, and investigations.

#### **Medicaid Directed Payment Program**

In October 2023, the Centers for Medicare and Medicaid Services (CMS) approved the State of Iowa's preprint and provider assessment waiver that will govern Iowa's Medicaid Directed Payment Program (Program). CMS' approval of the Program is for the period July 1, 2023, through June 30, 2025, only, with future years subject to an annual approval by CMS. Under the Program, the State of Iowa receives additional federal Medicaid funds for the state's healthcare system that is administered by the Iowa Department of Health and Human Services. Program assessments are made on a quarterly basis based upon Medicaid payments received six months before the assessment quarter (regardless of date of service). A final reconciliation will be performed utilizing Medicaid payments received for services rendered during the appropriate fiscal year. As a result, there is at least a reasonable possibility that recorded Program payments will change by a material amount in the near term. The 2025 net patient service revenue increased \$34,644 due to the recognition of the 2024 final settlement.

The following is a summary of the Program's effect on the Health Center's financial statements:

	<u>2025</u>	<u>2024</u>
Statements of Net Position		
Program payments in estimated third-party payor settlements	<u>\$ 34,644</u>	<u>\$ 1,185,385</u>
Program assessments and fees included in accounts payable	<u>\$ -</u>	<u>\$ 751,683</u>
Statements of Revenue, Expenses, and Changes in Net Position		
Program payments included in net patient and resident service revenue	\$ 6,639,539	\$ 5,022,689
Program assessments and fees included in other expense	<u>(1,697,785)</u>	<u>(1,493,456)</u>
	<u>\$ 4,941,754</u>	<u>\$ 3,529,233</u>

### Note 3 - Deposits and Investments

The Health Center's deposits in banks at June 30, 2025 and 2024, were entirely 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.

Investments reported are not subject to risk categorization. Amounts classified as investments in the financial statements are presented as deposits and investments in this note.

The carrying amounts of deposits and investments as of June 30, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Checking, savings, and money market accounts	\$ 23,441,101	\$ 19,884,165
Certificates of deposit	<u>13,816,720</u>	<u>15,348,533</u>
	<u>\$ 37,257,821</u>	<u>\$ 35,232,698</u>

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Deposits and investments are reported in the following statement of net position captions:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 15,665,051	\$ 12,117,418
Short-term investments	10,552,848	12,217,443
Assets limited as to use or restricted - current assets	23,416	69,924
Assets limited as to use or restricted - noncurrent	<u>11,016,506</u>	<u>10,827,913</u>
	<u>\$ 37,257,821</u>	<u>\$ 35,232,698</u>

Interest rate risk is the exposure to fair value losses resulting from rising interest rates. The primary objectives, in order of priority, of all investment activities involving the financial assets of the Health Center are:

1. Safety: Safety and preservation of principal in the overall portfolio.
2. Liquidity: Maintaining the necessary liquidity to match expected liabilities.
3. Return: Obtaining a reasonable return.

The Health Center attempts to limit its interest rate risk while investing within the guidelines of its investment policy and Chapter 12C of the Code of Iowa.

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**Note 4 - Capital Assets**

Capital assets activity for the years ended June 30, 2025 and 2024, was as follows:

	June 30, 2024 Balance	Additions	Transfers and Retirements	June 30, 2025 Balance
Capital Assets Not Being Depreciated				
Land	\$ 1,639,300	\$ -	\$ -	\$ 1,639,300
Construction in progress	11,044,381	9,126,143	(18,015,789)	2,154,735
Total capital assets not being depreciated	<u>\$ 12,683,681</u>	<u>\$ 9,126,143</u>	<u>\$ (18,015,789)</u>	<u>\$ 3,794,035</u>
Capital Assets Being Depreciated				
Land improvements	\$ 3,572,648	\$ -	\$ 862,941	\$ 4,435,589
Buildings	45,013,434	1,045,621	16,407,693	62,466,748
Equipment	17,511,450	677,703	745,155	18,934,308
Total capital assets being depreciated	<u>66,097,532</u>	<u>1,723,324</u>	<u>18,015,789</u>	<u>85,836,645</u>
Less Accumulated Depreciation				
Land improvements	1,496,212	199,457	-	1,695,669
Buildings	26,789,171	2,293,187	-	29,082,358
Equipment	12,417,695	1,377,355	-	13,795,050
Total accumulated depreciation	<u>40,703,078</u>	<u>3,869,999</u>	<u>-</u>	<u>44,573,077</u>
Net capital assets being depreciated	<u>\$ 25,394,454</u>	<u>\$ (2,146,675)</u>	<u>\$ 18,015,789</u>	<u>\$ 41,263,568</u>
Right to use Leased Assets Being Amortized				
Right to use asset - buildings	\$ 2,378,856	\$ -	\$ -	\$ 2,378,856
Right to use asset - equipment	1,061,553	600,122	(530,796)	1,130,879
Total right to use leased assets being amortized	<u>3,440,409</u>	<u>600,122</u>	<u>(530,796)</u>	<u>3,509,735</u>
Less Accumulated Amortization				
Right to use asset - buildings	1,038,385	259,597	-	1,297,982
Right to use asset - equipment	506,471	239,223	(530,796)	214,898
Total accumulated amortization	<u>1,544,856</u>	<u>498,820</u>	<u>(530,796)</u>	<u>1,512,880</u>
Net right to use leased assets	<u>\$ 1,895,553</u>	<u>\$ 101,302</u>	<u>\$ -</u>	<u>\$ 1,996,855</u>
Right to use Subscription IT Assets Being Amortized	\$ 453,499	\$ 60,449	\$ (49,897)	\$ 464,051
Less Accumulated Amortization	<u>296,612</u>	<u>148,195</u>	<u>(49,897)</u>	<u>394,910</u>
Net right to use subscription IT assets	<u>\$ 156,887</u>	<u>\$ (87,746)</u>	<u>\$ -</u>	<u>\$ 69,141</u>
Total Capital Assets, Net	<u>\$ 40,130,575</u>			<u>\$ 47,123,599</u>



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	June 30, 2023 Balance	Additions	Transfers and Retirements	June 30, 2024 Balance
Capital Assets Not Being Depreciated				
Land	\$ 1,639,300	\$ -	\$ -	\$ 1,639,300
Construction in progress	1,170,155	9,933,334	(59,108)	11,044,381
Total capital assets not being depreciated	<u>\$ 2,809,455</u>	<u>\$ 9,933,334</u>	<u>\$ (59,108)</u>	<u>\$ 12,683,681</u>
Capital Assets Being Depreciated				
Land improvements	\$ 3,463,096	\$ 60,463	\$ 49,089	\$ 3,572,648
Buildings	44,875,975	137,459	-	45,013,434
Equipment	16,039,137	1,472,313	-	17,511,450
Intangible - right to use equipment	571,000	-	(571,000)	-
Total capital assets being depreciated	<u>64,949,208</u>	<u>1,670,235</u>	<u>(521,911)</u>	<u>66,097,532</u>
Less Accumulated Depreciation				
Land improvements	1,326,026	170,186	-	1,496,212
Buildings	24,751,206	2,000,511	37,454	26,789,171
Equipment	11,183,669	1,271,480	(37,454)	12,417,695
Intangible - right to use equipment	571,000	-	(571,000)	-
Total accumulated depreciation	<u>37,831,901</u>	<u>3,442,177</u>	<u>(571,000)</u>	<u>40,703,078</u>
Net capital assets being depreciated	<u>\$ 27,117,307</u>	<u>\$ (1,771,942)</u>	<u>\$ 49,089</u>	<u>\$ 25,394,454</u>
Right to use Leased Assets Being Amortized				
Right to use asset - buildings	\$ 2,378,856	\$ -	\$ -	\$ 2,378,856
Right to use asset - equipment	833,975	476,924	(249,346)	1,061,553
Total right to use leased assets being amortized	<u>3,212,831</u>	<u>476,924</u>	<u>(249,346)</u>	<u>3,440,409</u>
Less Accumulated Amortization				
Right to use asset - buildings	778,788	259,597	-	1,038,385
Right to use asset - equipment	590,474	165,343	(249,346)	506,471
Total accumulated amortization	<u>1,369,262</u>	<u>424,940</u>	<u>(249,346)</u>	<u>1,544,856</u>
Net right to use leased assets	<u>\$ 1,843,569</u>	<u>\$ 51,984</u>	<u>\$ -</u>	<u>\$ 1,895,553</u>
Right to use Subscription IT Assets Being Amortized	\$ 453,499	\$ -	\$ -	\$ 453,499
Less Accumulated Amortization	146,767	149,845	-	296,612
Net right to use subscription IT assets	<u>\$ 306,732</u>	<u>\$ (149,845)</u>	<u>\$ -</u>	<u>\$ 156,887</u>
Total Capital Assets, Net	<u>\$ 32,077,063</u>			<u>\$ 40,130,575</u>

Construction in progress as of June 30, 2025, consists of various projects. The most significant project is the third phase of the inpatient building project. This phase of the project includes building out spaces for various patient and clinic services as well as administration. This project represents just over \$1,959,000 of the total in construction in progress as of June 30, 2025. The total remaining anticipated cost of this project is \$5,360,500 and will be paid for with internal funds. The project is expected to be completed in November of 2025.

## Note 5 - Pension Plan

*Plan Description* - Iowa Public Employees' Retirement System (IPERS) membership is mandatory for employees of the Health Center, except for those covered by another retirement system. Employees of the Health Center are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. 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.

*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, except for members with service before June 30, 2012, will use the highest three-year average salary as of that date 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.

The formula used to calculate a Protection Occupation members' 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% 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% 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. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal years 2025 and 2024, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Health Center contributed 9.44% of covered payroll for a total rate of 15.73%. In fiscal years 2025 and 2024, pursuant to the required rate, Protection Occupation members contributed 6.21% of covered payroll and the Health Center contributed 9.31% of covered payroll for a total rate of 15.52%.

The Health Center's contributions to IPERS for the years ended June 30, 2025, 2024, and 2023 were \$2,113,679, \$1,971,663, and \$1,723,287 respectively.

*Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2025 and 2024, the Health Center reported a liability of \$8,190,940 and \$9,334,698 for its proportionate share of the net pension liability. The Health Center's net pension liability was measured as of June 30, 2024, and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Health Center's proportion of the net pension liability was based on the Health Center's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2024, the Health Center's collective proportion was 0.224933%, which was an increase of 0.018123% from its proportion measured as of June 30, 2023.

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For the years ended June 30, 2025 and 2024, the Health Center recognized pension expense of \$1,744,461 and \$1,392,318. At June 30, 2025 and 2024, the Health Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 660,762	\$ 5,100	\$ 799,319	\$ 38,410
Changes of assumptions	-	2,212	-	2,816
Net difference between projected and actual earnings on IPERS' investments	102,829	-	868,483	-
Changes in proportion and differences between Health Center contributions and proportionate share of contributions	1,249,065	1,779	1,170,567	13
Health Center contributions subsequent to the measurement date	<u>2,113,679</u>	<u>-</u>	<u>1,971,663</u>	<u>-</u>
Total	<u>\$ 4,126,335</u>	<u>\$ 9,091</u>	<u>\$ 4,810,032</u>	<u>\$ 41,239</u>

The \$2,113,679 in 2025, and \$1,971,663 in 2024, reported as deferred outflows of resources related to pensions resulting from the Health Center's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2026 and 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	2025	2024
2025	\$ -	\$ 304,698
2026	(539,495)	(291,506)
2027	2,312,933	2,285,734
2028	287,036	431,182
2029	(108,785)	67,022
2030	<u>51,876</u>	<u>-</u>
	<u>\$ 2,003,565</u>	<u>\$ 2,797,130</u>

There were no non-employer contributing entities at IPERS.

*Actuarial Assumptions* - The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2024)	2.60% per annum.
Salary increases (effective June 30, 2024)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2024)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2024)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2024, and June 30, 2023, valuations were based on the results of a quadrennial experience study covering the period of July 1, 2017, through June 30, 2021.

Mortality rates used in the 2024 and 2023 valuations were based on the PbG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.

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 investment expense and inflation) are developed for each major asset class. These ranges were 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:

Asset Class	Asset Allocation		Long-Term Expected Real Rate of Return	
	2025	2024	2025	2024
Domestic equity	21.00%	21.00%	3.52%	4.56%
International equity	13.00%	16.50%	5.18%	6.22%
Global smart beta equity	5.00%	5.00%	4.12%	5.22%
Core-plus fixed income	25.50%	23.00%	3.04%	2.69%
Public credit	3.00%	3.00%	4.53%	4.38%
Cash	1.00%	1.00%	1.69%	1.59%
Private equity	17.00%	17.00%	8.89%	10.44%
Private real assets	9.00%	9.00%	4.25%	3.88%
Private credit	5.50%	4.50%	6.62%	4.60%
	<u>100.00%</u>	<u>100.00%</u>		

*Discount Rate* - The discount rate used to measure the total pension liability was 7.00%. 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 IPERS' 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 IPERS' 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 (Asset) to Changes in the Discount Rate* - The following presents the Health Center's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the Health Center's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Health Center's proportionate share of the net pension liability (asset) at June 30, 2025	\$ 20,168,804	\$ 8,190,940	\$ (1,840,617)
Health Center's proportionate share of the net pension liability at June 30, 2024	\$ 19,894,558	\$ 9,334,698	\$ 485,346

*IPERS' Fiduciary Net Position* - Detailed information about IPERS' 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).

*Payables to IPERS* - At June 30, 2025 and 2024, the Health Center reported payables to the defined benefit pension plan of \$381,078 and \$334,436 for legally required employer contributions that had been withheld from employee wages but not yet remitted by the Health Center to IPERS, which is included in accrued payroll taxes and other on the statements of net position.

## **Note 6 - Leases**

The Health Center has certain leasing arrangements for the use of buildings and equipment which are summarized below.

The Health Center has entered into various agreements to lease equipment. The lease terms range from 3 years to 8 years. The lease terms began in various dates ranging from September 2019 through November 2024 with final payments due at various dates ranging from February 2028 through October 2029. The Health Center utilized incremental discount rates ranging from 1.80% to 4.44%, which are consistent with what the Health Center would expect for current debt issuance.

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Changes in lease liabilities during the years ended June 30, 2025 and 2024 are as follows:

	June 30, 2024 Balance	Additions	Deductions	June 30, 2025 Balance	Amounts Due Within One Year
Equipment leases	\$ 504,055	\$ 600,122	\$ (156,832)	\$ 947,345	\$ 214,948
Building lease	1,499,566	-	(258,168)	1,241,398	272,873
Total	<u>\$ 2,003,621</u>	<u>\$ 600,122</u>	<u>\$ (415,000)</u>	<u>\$ 2,188,743</u>	<u>\$ 487,821</u>

  

	June 30, 2023 Balance	Additions	Deductions	June 30, 2024 Balance	Amounts Due Within One Year
Equipment leases	\$ 198,676	\$ 476,924	\$ (171,545)	\$ 504,055	\$ 91,257
Building lease	1,742,793	-	(243,227)	1,499,566	258,165
Total	<u>\$ 1,941,469</u>	<u>\$ 476,924</u>	<u>\$ (414,772)</u>	<u>\$ 2,003,621</u>	<u>\$ 349,422</u>

Remaining obligations associated with equipment leases are as follows:

Years Ending June 30,	Principal	Equipment Interest	Total
2026	\$ 214,948	\$ 25,772	\$ 240,720
2027	220,189	19,135	239,324
2028	222,811	12,290	235,101
2029	223,239	5,507	228,746
2030	66,158	334	66,492
Total	<u>\$ 947,345</u>	<u>\$ 63,038</u>	<u>\$ 1,010,383</u>

The Health Center has entered into an agreement to lease building space. The lease term is for 10 years. The lease term began in September 2019 and goes through August 2029. The Health Center utilized an incremental discount rate of 4%, which is consistent with what the Health Center would expect for current debt issuance. Remaining obligations associated with the building lease are as follows:

Years Ending June 30,	Principal	Building Interest	Total
2026	\$ 272,873	\$ 44,701	\$ 317,574
2027	288,244	33,506	321,750
2028	304,304	21,684	325,988
2029	321,084	9,207	330,291
2030	54,893	275	55,168
Total	<u>\$ 1,241,398</u>	<u>\$ 109,373</u>	<u>\$ 1,350,771</u>

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Total remaining obligations associated with the building and equipment leases are as follows:

Years Ending June 30,	Principal	Total Interest	Total
2026	\$ 487,821	\$ 70,473	\$ 558,294
2027	508,433	52,641	561,074
2028	527,115	33,974	561,089
2029	544,323	14,714	559,037
2030	121,051	609	121,660
Total	<u>\$ 2,188,743</u>	<u>\$ 172,411</u>	<u>\$ 2,361,154</u>

**Note 7 - Subscription-Based Information Technology Arrangements (SBITAs)**

The Health Center has certain SBITA arrangements for the use of software which is summarized below.

The significant contracts that the Health Center has entered into are primarily for backup and storage of information and subscriptions for training. In addition, there are other minor software subscriptions. The Health Center utilized incremental discount rates ranging from 2.97%-5.85% consistent with similar borrowing arrangements. The Health Center is required to make various annual and monthly principal and interest payments through August 2025.

A summary of the changes in subscription IT liabilities during the years ended June 30, 2025 and 2024:

	Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025	Due Within One Year
Subscription IT liabilities	\$ 152,541	\$ -	\$ (140,493)	\$ 12,048	\$ 12,048

  

	Balance June 30, 2023	Additions	Deductions	Balance June 30, 2024	Due Within One Year
Subscription IT liabilities	\$ 293,345	\$ -	\$ (140,804)	\$ 152,541	\$ 140,492

Remaining obligations associated with these SBITAs are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 12,048	\$ 2	\$ 12,050

In addition to the above, the Health Center was committed to pay IT managed service fees that total \$291,200 through August 2025 related to its subscription contract for backup and information storage.



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**Note 8 - Long-Term Liabilities**

A summary of changes in the Health Center's long-term liabilities for the years ended June 30, 2025 and 2024, is as follows:

	June 30, 2024 Balance	Additions	Payments	June 30, 2025 Balance	Amounts Due Within One Year
Direct Borrowings					
Hospital Revenue Note, Series 2004 (A)	\$ 312,197	\$ -	\$ 312,197	\$ -	\$ -
Hospital Revenue Note, Series 2015 (B)	2,429,617	-	137,833	2,291,784	77,852
2.375% USDA Direct Loan (C)	7,723,626	-	270,355	7,453,271	269,283
2.375% USDA Direct Loan (C)	7,672,753	-	265,511	7,407,242	267,611
3% Note Payable, Series 2016 (D)	652,954	-	64,160	588,794	66,111
3.12% Farmers State Bank loan (E)	142,850	-	142,850	-	-
0% Note Payable to Oelwein Community Healthcare Foundation (F)	10,003	-	10,003	-	-
Total long term debt	18,944,000	-	1,202,909	17,741,091	680,857
Lease Liability (See Note 6)	2,003,621	600,122	(415,000)	2,188,743	487,821
Subscription IT Liability (See Note 7)	152,541	-	(140,493)	12,048	12,048
Compensated Absences*	2,076,565	285,902	-	2,362,467	1,380,988
Total long-term liabilities	\$ 23,176,727	\$ 886,024	\$ 647,416	\$ 22,304,349	\$ 2,561,714

\*- The roll-forward schedule only reports the net change in the compensated absences liability.

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	June 30, 2023 Balance	Additions	Payments	June 30, 2024 Balance	Amounts Due Within One Year
Direct Borrowings					
Hospital Revenue Note, Series 2004 (A)	\$ 641,399	\$ -	\$ 329,202	\$ 312,197	\$ 312,197
Hospital Revenue Note, Series 2015 (B)	2,560,311	-	130,694	2,429,617	68,096
2.375% USDA Direct Loan (C)	7,977,849	-	254,223	7,723,626	263,015
2.375% USDA Direct Loan (C)	7,928,565	-	255,812	7,672,753	261,320
3% Note Payable, Series 2016 (D)	715,068	-	62,114	652,954	64,160
3.12% Farmers State Bank loan (E)	309,415	-	166,565	142,850	142,850
0% Note Payable to Oelwein Community Healthcare Foundation (F)	46,670	-	36,667	10,003	10,003
Total long term debt	20,179,277	-	1,235,277	18,944,000	1,121,641
Lease Liability (See Note 6)	1,941,469	476,924	(414,772)	2,003,621	349,422
Subscription IT Liability (See Note 7)	293,345	-	(140,804)	152,541	140,492
Compensated Absences*	1,877,956	198,609	-	2,076,565	1,283,565
Total long-term liabilities	\$ 24,292,047	\$ 675,533	\$ 679,701	\$ 23,176,727	\$ 2,895,120

\*- The roll-forward schedule only reports the net change in the compensated absences liability.

- (A) The interest rate on this note is 3.50%. According to the loan documents, in December 2018 (interest rate adjustment date), the rate adjusted to equal a 102% of the Federal Home Loan Bank Eighth District Seven-Year Fixed Rate Advance as posted on the Federal Home Loan Bank of Des Moines website. The note was fully repaid during the year ended June 30, 2025.
- (B) The Health Center pays monthly installments of principal and interest at an initial rate of 3.10% until maturity at December 1, 2045. The interest rate will be adjusted on each of the following interest rate adjustment dates: January 1, 2023 (current rate is 5.33%), January 1, 2030, and January 1, 2038. Interest rates will be adjusted to the average Federal Home Loan Bank Eleventh District Seven-Year Advance Rate for the week immediately preceding an interest rate adjustment date as published by the Federal Home Loan Bank Board.
- (C) The two USDA Direct Loan Notes have an interest rate of 2.375%. The Health Center pays monthly installments of principal and interest (\$73,669 total for both loans) until maturity in December 2046.

- (D) The Health Center entered into a \$1,000,000 note payable during 2018 to help fund its building project. The interest rate on this note is 3% with annual installments of principal and interest in an amount equal to \$82,870, maturing in 2031.
- (E) The Health Center entered into a \$1,091,964 note payable during 2018 to help fund the purchase of a new MRI. The interest rate on this note was 3.12% with monthly installments of principal and interest in the amount equal to \$14,489 and was fully repaid during the year ended June 30, 2025.
- (F) This 0% note payable was entered into with HealthFirst in Oelwein for \$200,000 during 2019. The note was fully repaid during the year ended June 30, 2025.

The Health Center is subject to certain covenants under the debt agreements above.

Long-term debt maturities are as follows:

Years Ending June 30,	Principal	Interest
2026	\$ 680,857	\$ 484,161
2027	700,011	465,007
2028	718,892	446,126
2029	740,129	424,888
2030	761,158	403,860
2031-2035	3,974,310	1,685,081
2036-2040	4,308,476	1,102,263
2041-2045	4,572,149	447,128
2046-2047	1,285,109	24,042
	<u>\$ 17,741,091</u>	<u>\$ 5,482,556</u>

Substantially all of the outstanding debt is secured by the net revenues and property of the Health Center.

#### **Note 9 - Employee Retention Tax Credit**

In response to COVID-19, legislation enacted within the CARES Act allowed certain employers to be eligible for the Employee Retention Tax Credit (ERC), which awards qualifying employers with a refundable tax credit against taxes previously paid. Those employers eligible for the ERC include private sector businesses, tax-exempt organizations, and others operating during 2020 and 2021 that either had operations fully or partially suspended due to government mandates or experienced a significant decline in gross receipts. Upon qualification under the ERC program, entities are eligible to receive a refundable tax credit equal to as much as 50% of the qualified wages of certain employees.

In 2025, the Health Center received \$1,527,385 from their original ERC filing. The Health Center continues to evaluate its eligibility as it pertains to the terms and conditions governing the ERC program, which are complex, subject to interpretation, and subject to change. As such, for the years ended June 30, 2025 and 2024, the Health Center has not recognized revenue associated with the filing, and has included the cash received on its statement of net position as a refundable advance at June 30, 2025.

If the Health Center is ultimately deemed ineligible for the ERC program, its ability to retain the payments received may be affected, in addition to any fines or penalties that may be assessed. ERC payments are subject to government oversight, including potential audits.

#### **Note 10 - Concentration of Credit Risk**

The Health Center grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors, patients, and residents at June 30, 2025 and 2024 was as follows:

	2025	2024
Medicare	47%	41%
Medicaid	9%	12%
Blue Cross	18%	17%
Commercial insurance	14%	14%
Other third-party payors, patients, and residents	12%	16%
	100%	100%

#### **Note 11 - Contingencies**

##### **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. This coverage has not changed significantly from the previous year. 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.

##### **Malpractice Insurance**

The Health Center has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

### **Excess Liability Umbrella Insurance**

The Health Center also has excess liability umbrella coverage subject to a limit of \$4 million per occurrence and an annual aggregate limit of \$4 million.

### **Litigation, Claims, and Disputes**

The Health Center is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Health Center.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time.

Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient and resident services.

### **Multiple Employer Welfare Arrangement (MEWA)**

The Health Center participates in a multiple employer welfare arrangement (MEWA) which provides health insurance benefits to participating entities' employees. The UnityPoint Rural Health Alliance Benefits Trust was established in October 2020 and requires participating employers to participate in the MEWA for no less than five calendar years. Amounts paid into the Trust by employers are based on the number of participating employees, the estimated costs of the plan, and amounts necessary to build required reserves. Participating employers that wish to terminate participation in the plan may do so by providing written notice to the plan sponsor at least 180 days prior to the end of the current plan year (assuming the 5-year requirement has also been met). At that point, the employer would be assessed its proportionate share of any plan deficit, if applicable. The trustee is responsible for the general operations of the plan.

Per review with the Trustee, at June 30, 2025 and 2024, the plan is reflecting a surplus and therefore, the Health Center has not recorded any additional liability as of June 30, 2025 and 2024.

**Note 12 - Affiliation Agreement with Allen Health Systems, Inc.**

The Health Center has an affiliation agreement with Allen Health Systems, Inc., which is also an affiliate of UnityPoint Health. The Health Center and Allen Health Systems, Inc. have entered into this agreement to further improve the quality and coordination of care in the region and to improve patient access to care. As part of this agreement, the Health Center has obtained its current electronic medical record system, and it also purchases additional professional services from Allen Health Systems, Inc. During the years ended June 30, 2025 and 2024, the Health Center paid \$1,220,001 and \$1,031,862 for these services, fees, and its electronic medical records system.

**Note 13 - Budget and Budgetary Accounting**

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Health Center on the accrual basis following required public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The Board of Trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures.

The budget was not amended during the year ended June 30, 2025. For the year ended June 30, 2025, the Health Center's expenditures did not exceed the amount budgeted. A comparison of the Health Center's condensed statement of revenues, expenses, and changes in net position to its adopted budget for the year ended June 30, 2025, follows:

	Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Adopted Budget	Variance Favorable (Unfavorable)
Estimated amount to be raised by taxation	\$ 1,468,385	\$ -	\$ 1,468,385	\$ 1,431,119	\$ 37,266
Estimated other revenues/receipts	<u>73,264,867</u>	<u>(578,538)</u>	<u>72,686,329</u>	<u>63,644,000</u>	<u>9,042,329</u>
	74,733,252	(578,538)	74,154,714	65,075,119	9,079,595
Expenses/disbursements	<u>64,243,305</u>	<u>7,886,286</u>	<u>72,129,591</u>	<u>79,214,000</u>	<u>7,084,409</u>
Net	10,489,947	(8,464,824)	2,025,123	(14,138,881)	<u>\$ 16,164,004</u>
Balance, beginning of year	<u>49,289,171</u>	<u>(14,056,473)</u>	<u>35,232,698</u>	<u>(30,297,098)</u>	
Balance, end of year	<u>\$ 59,779,118</u>	<u>\$ (22,521,297)</u>	<u>\$ 37,257,821</u>	<u>\$ (44,435,979)</u>	

**Note 14 - Adoption of New Accounting Standard**

As of July 1, 2023, the Health Center adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provide guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences (current portion and noncurrent portion) were increased by \$923,637 as of July 1, 2023. The effect of this change in accounting principle is described in the table below.

Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 101 as follows:

Net position at June 30, 2023, as previously reported	\$ 42,425,076
Add compensated absences accrual, under GASB Statement No. 101 at July 1, 2023	<u>(923,637)</u>
Net position at July 1, 2023, as restated	<u><u>\$ 41,501,439</u></u>

In addition, the adoption of the standard impacted the Health Center's statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows for the year ended June 30, 2024, as follows:

	<u>As Originally Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Statement of Net Position			
Current liabilities			
Accrued expenses			
Compensated absences	\$ 1,140,565	\$ 143,000	\$ 1,283,565
Payroll taxes and other	<u>508,072</u>	<u>71,604</u>	<u>579,676</u>
Total current liabilities	<u>7,631,059</u>	<u>214,604</u>	<u>7,845,663</u>
Noncurrent liabilities			
Accrued expenses			
Compensated absences, less current maturities	<u>-</u>	<u>793,000</u>	<u>793,000</u>
Total noncurrent liabilities	<u>30,595,805</u>	<u>793,000</u>	<u>31,388,805</u>
Total liabilities	<u>38,226,864</u>	<u>1,007,604</u>	<u>39,234,468</u>
Net position			
Unrestricted	<u>33,339,643</u>	<u>(1,007,604)</u>	<u>32,332,039</u>
Total net position	<u><u>\$ 50,296,775</u></u>	<u><u>\$ (1,007,604)</u></u>	<u><u>\$ 49,289,171</u></u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Notes to Financial Statements  
June 30, 2025 and 2024

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	<u>As Originally Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Statement of Revenues, Expenses and Changes in Net Position			
Operating expenses			
Salaries and wages	\$ 22,527,161	\$ 78,000	\$ 22,605,161
Employee benefits	<u>6,364,097</u>	<u>5,967</u>	<u>6,370,064</u>
Total operating expenses	<u>56,878,119</u>	<u>83,967</u>	<u>56,962,086</u>
Operating income	<u>6,071,765</u>	<u>(83,967)</u>	<u>5,987,798</u>
Revenues in excess of expenses before capital contributions	<u>\$ 7,871,699</u>	<u>\$ (83,967)</u>	<u>\$ 7,787,732</u>
Statement of Cash Flows			
Reconciliation of operating income to net cash from operating activities			
Operating income	<u>\$ 6,071,765</u>	<u>\$ (83,967)</u>	<u>\$ 5,987,798</u>
Changes in assets, deferred outflows, liabilities, and deferred inflows			
Accrued expenses	<u>402,565</u>	<u>83,967</u>	<u>486,532</u>



Required Supplementary Information  
June 30, 2025



People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedule of the Health Center's Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Health Center's proportion of the net pension liability	0.224933%	0.206810%	0.206146%	-0.065349%	0.173547%	0.157135%	0.150339%	0.143286%	0.127348%	0.130756%
Health Center's proportionate share of the net pension liability	\$ 8,190,940	\$ 9,334,698	\$ 7,788,513	\$ 225,601	\$ 12,191,239	\$ 9,099,157	\$ 9,513,816	\$ 9,544,660	\$ 8,014,429	\$ 6,460,003
Health Center's covered payroll	\$ 20,887,220	\$ 18,255,980	\$ 16,696,685	\$ 15,751,716	\$ 13,823,687	\$ 12,045,709	\$ 11,350,020	\$ 10,739,089	\$ 9,219,172	\$ 9,051,343
Health Center's proportionate share of the net pension liability as a percentage of its covered payroll	39.22%	51.13%	46.65%	1.43%	88.19%	75.54%	83.82%	88.88%	86.93%	71.37%
IPERS' net position as a percentage of the total pension liability	92.30%	90.13%	91.41%	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%

In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedule of the Health Center's Contributions  
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 2,113,679	\$ 1,971,663	\$ 1,723,287	\$ 1,576,589	\$ 1,486,880	\$ 1,305,210	\$ 1,144,776	\$ 987,282	\$ 933,657	\$ 829,834
Contributions in relation to the statutorily required contribution	(2,113,679)	(1,971,663)	(1,723,287)	(1,576,589)	(1,486,880)	(1,305,210)	(1,144,776)	(987,282)	(933,657)	(829,834)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Health Center's covered payroll	\$ 22,391,613	\$ 20,887,220	\$ 18,255,980	\$ 16,696,685	\$ 15,751,716	\$ 13,823,687	\$ 12,045,709	\$ 11,350,020	\$ 10,739,089	\$ 9,219,172
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%

*Changes of benefit terms:*

The 2024 valuation reflected a change in benefit and funding provisions enacted by the Iowa Legislature through House File 2661 (HF 2661), which introduced the following benefit enhancements for members of the Sheriffs and Deputies group:

- Increasing the benefit multiplier from 1.5% to 2.5% for years of service between 22 and 30, thereby increasing in the maximum benefit from 72% to 80% of Average Salary.
- Granting an automatic 1.5% compound cost-of-living adjustment (COLA) for members who retire on or after July 1, 2024, who are at least age 50 when they terminate employment and have at least 22 years of special service. This COLA is provided in lieu of any Favorable Experience Dividend that future retirees would have otherwise been eligible for.

*Changes of assumptions:*

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

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

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

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

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

- Decreased the 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%.

Supplementary Information  
June 30, 2025 and 2024





## **Independent Auditor's Report on Supplementary Information**

To the Board of Trustees  
People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Independence, Iowa

We have audited the financial statements of People's Memorial Hospital, d/b/a Buchanan County Health Center (Health Center), as of and for the years ended June 30, 2025 and 2024, and have issued our report thereon dated December 17, 2025, which contained an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of net patient and resident service revenue, other operating revenues, operating expenses, patient and resident receivables and collection statistics, and statistical information are presented for the purposes of additional analysis and are not a required part of the financial statements. The schedules of net patient and resident service revenue, other operating revenues, and operating expenses are the responsibility of management and were derived from and relate 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 schedules of net patient and resident service revenue, other operating revenues, and operating expenses are fairly stated in all material respects in relation to the financial statements as a whole. The schedules of patient and resident receivables and collection statistics, and statistical information have 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 them.

*Eide Bailly LLP*

Dubuque, Iowa  
December 17, 2025

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Net Patient and Resident Service Revenue  
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Patient and Resident Service Revenue		
Routine services - hospital	\$ 3,259,738	\$ 2,847,358
Routine services - nursing care center	3,857,646	3,971,390
Operating and recovery rooms	18,159,790	15,680,872
Central services and supply	2,273,948	1,969,655
Emergency services and wound/urgent care	18,423,050	17,786,267
Laboratory and blood bank	7,488,360	6,832,010
Cardiac rehab	379,076	307,111
Electrocardiology	890,714	812,031
Sleep studies	755,875	701,306
Radiology	26,682,725	22,906,906
Pharmacy	7,301,665	6,214,391
Anesthesiology	3,633,114	3,283,370
Respiratory therapy	1,324,559	1,065,076
Physical therapy	4,633,208	4,132,646
Occupational therapy	741,535	738,765
Speech therapy	330,424	334,313
Behavioral health	592,450	-
Independence Clinic	9,762,469	8,542,728
Jesup Clinic	3,740,338	3,177,167
Oelwein Clinic	<u>7,908,767</u>	<u>6,490,094</u>
	122,139,451	107,793,456
Charity care	<u>(370,495)</u>	<u>(228,310)</u>
Total patient and resident service revenue	<u>\$ 121,768,956</u>	<u>\$ 107,565,146</u>
Total Patient and Resident Service Revenue		
Inpatient revenue	\$ 8,896,307	\$ 8,726,046
Outpatient revenue	113,243,144	99,067,410
Charity care	<u>(370,495)</u>	<u>(228,310)</u>
Total patient and resident service revenue	121,768,956	107,565,146
Contractual Adjustments	(54,792,879)	(48,512,687)
Policy Discounts	<u>(477,467)</u>	<u>(659,218)</u>
Net Patient and Resident Service Revenue	66,498,610	58,393,241
Provision for Bad Debts	<u>(1,481,943)</u>	<u>(1,612,055)</u>
Net Patient and Resident Service Revenue (Net of Provision for Bad Debts)	<u>\$ 65,016,667</u>	<u>\$ 56,781,186</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Other Operating Revenues  
Years Ended June 30, 2025 and 2024

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	<u>2025</u>	<u>2024</u>
Other Operating Revenues		
Retail pharmacy - Oelwein	\$ 4,313,778	\$ 3,640,466
340B drug program	1,935,671	1,606,827
Oakview income, less adjustments to deposits	475,116	350,692
Wellness center fees	246,859	227,154
Cafeteria	164,422	143,947
Outpatient clinic	109,554	87,719
Grants	39,797	69,844
Other	<u>60,358</u>	<u>42,049</u>
Total Other Operating Revenues	<u><u>\$ 7,345,555</u></u>	<u><u>\$ 6,168,698</u></u>



People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Operating Expenses  
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Nursing Administration		
Salaries and wages	\$ 236,584	\$ 238,615
Supplies and other expenses	<u>21,714</u>	<u>169,661</u>
	<u>258,298</u>	<u>408,276</u>
Routine Services - Hospital		
Salaries and wages	1,551,368	1,496,986
Supplies and other expenses	<u>104,956</u>	<u>367,842</u>
	<u>1,656,324</u>	<u>1,864,828</u>
Routine Services - Nursing Care Center		
Salaries and wages	2,023,608	2,026,389
Supplies and other expenses	<u>370,671</u>	<u>433,393</u>
	<u>2,394,279</u>	<u>2,459,782</u>
Social Services		
Salaries and wages	87,329	89,734
Supplies and other expenses	<u>5</u>	<u>35</u>
	<u>87,334</u>	<u>89,769</u>
Operating and Recovery Rooms		
Salaries and wages	1,111,368	975,482
Supplies and other expenses	<u>3,351,986</u>	<u>2,761,832</u>
	<u>4,463,354</u>	<u>3,737,314</u>
Infection Control		
Salaries and wages	49,292	78,682
Supplies and other expenses	<u>11,711</u>	<u>829</u>
	<u>61,003</u>	<u>79,511</u>
Central Services and Supply		
Salaries and wages	203,809	198,487
Supplies and other expenses	<u>66,725</u>	<u>99,918</u>
	<u>270,534</u>	<u>298,405</u>
Emergency Services		
Salaries and wages	1,655,885	1,568,183
Supplies and other expenses	<u>2,649,836</u>	<u>2,894,303</u>
	<u>4,305,721</u>	<u>4,462,486</u>
Laboratory and Blood Bank		
Salaries and wages	1,019,330	903,076
Supplies and other expenses	<u>1,893,216</u>	<u>1,636,382</u>
	<u>2,912,546</u>	<u>2,539,458</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Operating Expenses  
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cardiac Rehab		
Salaries and wages	\$ 60,652	\$ 56,493
Supplies and other expenses	<u>1,430</u>	<u>1,993</u>
	<u>62,082</u>	<u>58,486</u>
Electrocardiology		
Supplies and other expenses	<u>30,194</u>	<u>30,360</u>
Sleep Studies		
Supplies and other expenses	<u>72,443</u>	<u>69,941</u>
Radiology		
Salaries and wages	1,041,155	928,183
Supplies and other expenses	<u>938,775</u>	<u>851,003</u>
	<u>1,979,930</u>	<u>1,779,186</u>
Pharmacy		
Salaries and wages	367,414	361,246
Supplies and other expenses	<u>3,680,194</u>	<u>2,707,406</u>
	<u>4,047,608</u>	<u>3,068,652</u>
Anesthesiology		
Supplies and other expenses	<u>1,102,406</u>	<u>982,267</u>
Respiratory Therapy		
Salaries and wages	140,692	136,117
Supplies and other expenses	<u>71,515</u>	<u>56,941</u>
	<u>212,207</u>	<u>193,058</u>
Physical Therapy		
Salaries and wages	1,132,991	1,050,279
Supplies and other expenses	<u>59,644</u>	<u>43,921</u>
	<u>1,192,635</u>	<u>1,094,200</u>
Speech Therapy		
Salaries and wages	62,026	54,775
Supplies and other expenses	<u>10,626</u>	<u>28,033</u>
	<u>72,652</u>	<u>82,808</u>
Occupational Therapy		
Salaries and wages	125,159	129,023
Supplies and other expenses	<u>3,773</u>	<u>2,761</u>
	<u>128,932</u>	<u>131,784</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Operating Expenses  
Years Ended June 30, 2025 and 2024

	2025	2024
Independent Living - Oakview		
Salaries and wages	\$ 93,235	\$ 88,754
Supplies and other expenses	80,486	136,408
	<u>173,721</u>	<u>225,162</u>
Outpatient Clinic		
Salaries and wages	225,097	191,452
Supplies and other expenses	24,881	72,038
	<u>249,978</u>	<u>263,490</u>
Independence Clinic		
Salaries and wages	3,887,573	3,795,902
Supplies and other expenses	1,187,423	898,423
	<u>5,074,996</u>	<u>4,694,325</u>
Retail Pharmacy - Oelwein		
Salaries and wages	558,846	510,873
Supplies and other expenses	2,626,788	2,015,634
	<u>3,185,634</u>	<u>2,526,507</u>
Jesup Clinic		
Salaries and wages	1,021,679	936,668
Supplies and other expenses	327,708	241,708
	<u>1,349,387</u>	<u>1,178,376</u>
Oelwein Clinic		
Salaries and wages	2,002,350	1,754,645
Supplies and other expenses	483,396	414,187
	<u>2,485,746</u>	<u>2,168,832</u>
Behavioral Health		
Supplies and other expenses	336,731	-
Medical Records		
Salaries and wages	411,556	403,055
Supplies and other expenses	8,497	35,953
	<u>420,053</u>	<u>439,008</u>
Dietary		
Salaries and wages	562,159	533,059
Supplies and other expenses	791,043	799,934
	<u>1,353,202</u>	<u>1,332,993</u>
Plant Operation and Maintenance		
Salaries and wages	566,951	549,403
Supplies and other expenses	1,068,703	1,038,944
	<u>1,635,654</u>	<u>1,588,347</u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Operating Expenses  
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Housekeeping		
Salaries and wages	\$ 893,888	\$ 851,674
Supplies and other expenses	<u>272,747</u>	<u>239,364</u>
	<u>1,166,635</u>	<u>1,091,038</u>
Laundry and Linen		
Salaries and wages	50,146	49,728
Supplies and other expenses	<u>260,860</u>	<u>256,324</u>
	<u>311,006</u>	<u>306,052</u>
Administrative Services		
Salaries and wages	2,849,031	2,648,198
Supplies and other expenses	<u>5,845,220</u>	<u>4,319,765</u>
	<u>8,694,251</u>	<u>6,967,963</u>
Unassigned Expenses		
Depreciation and amortization	4,517,014	4,016,962
Insurance	336,924	362,396
Employee benefits	<u>7,041,115</u>	<u>6,370,064</u>
	<u>11,895,053</u>	<u>10,749,422</u>
Total Operating Expenses	<u><u>\$ 63,642,529</u></u>	<u><u>\$ 56,962,086</u></u>

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Patient and Resident Receivables and Collection Statistics (Unaudited)  
June 30, 2025 and 2024

**Analysis of Aging**

<u>Days Since Discharge</u>	<u>2025</u>		<u>2024</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
0 - 1 Month	\$ 10,183,071	59.93%	\$ 8,046,024	60.13%
1 - 2 Months	3,341,482	19.67%	2,151,897	16.08%
2 - 3 Months	706,587	4.16%	742,936	5.55%
3 - 4 Months	457,177	2.69%	550,606	4.11%
Over 4 Months	<u>2,303,364</u>	<u>13.55%</u>	<u>1,890,440</u>	<u>14.13%</u>
	16,991,681	<u>100.00%</u>	13,381,903	<u>100.00%</u>
Less: Allowance for Doubtful Accounts	(1,492,215)		(1,509,507)	
Allowance for Contractual Adjustments	<u>(8,211,203)</u>		<u>(6,233,037)</u>	
Net	<u>\$ 7,288,263</u>		<u>\$ 5,639,359</u>	

**Collection Statistics**

	<u>2025</u>	<u>2024</u>
Net accounts receivable - patients and residents	\$ 7,288,263	\$ 5,639,359
Number of days charges outstanding	44	35
Uncollectible accounts (1)	\$ 2,194,577	\$ 2,148,863
Percentage of uncollectible accounts to total charges	1.8%	2.0%

(1) Includes provision for bad debts, charity care, and collection fees.

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedules of Statistical Information (Unaudited)  
Years Ended June 30, 2025 and 2024

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	<u>2025</u>	<u>2024</u>
Patient Days		
Hospital		
Acute	450	500
Swing-bed	321	242
Nursing Care Center	12,395	13,699
Number of Beds		
Hospital	25	25
Nursing Care Center	39	39
Percentage of Occupancy		
Hospital	8%	8%
Nursing Care Center	87%	96%
Discharges		
Hospital		
Acute	163	178
Swing-bed	31	27
Nursing Care Center	23	19
Average Length of Stay		
Hospital		
Acute	2.8	2.8
Swing-bed	10.4	9.0



**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  
People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Independence, 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 (*Government Auditing Standards*), the financial statements of the business-type activities of People's Memorial Hospital, d/b/a Buchanan County Health Center (Health Center), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Health Center's basic financial statements and have issued our report thereon dated December 17, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Health Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-003 to be a significant deficiency.

### **Report on Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the Health Center's operations for the year ended June 30, 2025, 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.

### **The Health Center's Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Health Center's responses to the findings identified in our audit that are described in the accompanying schedule of findings and questioned costs. The Health Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.



**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.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
December 17, 2025



**Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

To the Board of Trustees  
People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Independence, Iowa

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited People's Memorial Hospital, d/b/a Buchanan County Health Center (Health Center)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Health Center's major federal program for the year ended June 30, 2025. The Health Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Health Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Health Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Health Center's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Health Center's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Health Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Health Center's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Health Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Health Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Health Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the business-type activities of the Health Center as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Health Center's basic financial statements. We issued our report thereon December 17, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Eide Sallie LLP".

Dubuque, Iowa  
December, 17, 2025

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2025

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<u>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal Financial Assistance Listing</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture Community Facilities Loans and Grants	10.766		<u>\$ 15,396,379</u>
Total Federal Financial Assistance			<u><u>\$ 15,396,379</u></u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of People's Memorial Hospital, d/b/a Buchanan County Health Center (Health Center) under programs of the federal government for the year ended June 30, 2025. The information is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Health Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Health Center.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

**Note 3 - Indirect Cost Rate**

The Health Center has not elected to use the 10% de minimis cost rate.

**Note 4 - Loan and Grant Programs**

Expenditures reported on this schedule under the Community Facilities Loans and Grants Program consists of the beginning of the year outstanding loan balances of the Health Center's USDA direct loans of \$15,396,379. If applicable, advances made on the loans during the year are reported on the Schedule. The Health Center made no advances on the loans during the year ended June 30, 2025. The Health Center's outstanding loan balances for the direct loans as of June 30, 2025, is \$14,860,513.

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2025

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**Section I - Summary of Auditor's Results**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiency identified not considered to be a material weakness	Yes
Noncompliance material to financial statements noted	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiency identified not considered to be a material weakness	None reported
Type of auditor's report issued on compliance for the major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

**Identification of major program:**

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
Community Facilities Loans and Grants	10.766
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No



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Section II - Financial Statement Findings

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**2025-001 Preparation of Financial Statements and Schedule of Expenditures of Federal Awards  
Material Weakness**

*Criteria:* A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and schedule of expenditures of federal awards (schedule) and accompanying notes to the financial statements and the schedule by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

*Condition:* The Health Center does not have an internal control system designed to provide for the preparation of the financial statements and schedule, including the accompanying footnotes, as required by GAAP. In conjunction with completion of our audit, we were requested to draft the financial statements and accompanying notes to the financial statements and the schedule.

*Cause:* The outsourcing of these services is not unusual in an organization of your size. We realize that obtaining the expertise necessary to prepare the financial statements and the schedule, including all necessary disclosures, in accordance with GAAP, can be considered costly and ineffective.

*Effect:* The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Health Center. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting.

*Recommendation:* It is the responsibility of Health Center management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally.

*Views of Responsible Individuals:* Management agrees with the finding.

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**Section II - Financial Statement Findings (Continued)**

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**2025-002    Material Adjusting Journal Entries  
              Material Weakness**

*Criteria:* Accurate reconciliation and review of all significant statement of net position accounts on a monthly basis is essential to preparing reliable financial statements. Furthermore, reconciliations serve as an internal control over financial reporting and the safeguarding of assets. Auditors must also assess the impact of audit entries on the financial statements. In addition, any adjusting journal entries made by accounting staff should be reviewed by another individual to ensure accuracy and necessity of the entry.

*Condition:* During our audit, material and other significant entries were necessary at year end to properly adjust various statement of net position accounts, including allowances on accounts receivable, estimated third-party payor settlements, construction in progress, and construction payables.

*Cause:* All significant statement of net position accounts need to be reviewed in-depth on a monthly basis to ensure they are accounted for properly.

*Effect:* Failure to regularly review all account balances can result in errors on the interim financial statements and represents a weakness in internal control in the accounting system.

*Recommendation:* All general ledger account reconciliations should be reviewed monthly. The Chief Financial Officer should review the reconciliations prepared by the accounting staff to ensure that the reconciliations are accurate. In addition, all adjusting journal entries should be reviewed by someone on the management team, in conjunction with account reconciliations, to ensure reasonableness of the journal entries made.

*Views of Responsible Individuals:* Management agrees with the finding.

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**Section II - Financial Statement Findings (Continued)**

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**2025-003   Segregation of Duties  
Significant Deficiency**

*Criteria:* One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties which are incompatible.

*Condition:* An effective system of internal control will be designed such that duties are performed by different employees, so that no one individual handles a transaction from its inception to its completion.

*Cause:* The limited number of office personnel prevents a proper segregation of accounting functions necessary to ensure optimal effective internal control. This is not an unusual condition in organizations of your size.

*Effect:* The lack of segregation of duties increases the risk of fraud related to misappropriation of assets, financial statement misstatement, or both. Limited segregation of duties could result in misstatements that may not be prevented or detected on a timely basis in the normal course of operations.

*Recommendation:* We realize that with a limited number of office employees, segregation of duties is difficult. We also recognize that in some instances it may not be cost effective to employ additional personnel for the purpose of segregating duties. However, the Health Center should continually review its internal control procedures, other compensating controls and monitoring procedures to obtain the maximum internal control possible under the circumstances. We also recommend someone complete a review of the account reconciliations and journal entries completed by the CFO, and that the review is documented.

*Views of Responsible Individuals:* Management agrees with the finding.

People's Memorial Hospital  
d/b/a Buchanan County Health Center  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2025

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**Section III - Federal Award Findings and Questioned Costs**

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None noted.

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**Section IV - Other Findings Related to Required Statutory Reporting**

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**2025-IA-A Certified Budget** – Disbursements during the year ended June 30, 2025, did not exceed the amount budgeted.

**2025-IA-B Questionable Expenditures** – We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

**2025-IA-C Travel Expense** – No expenditures of Health Center money for travel expenses of spouses of Health Center officials and/or employees were noted. However, there was an instance of non-compliance with the Health Center’s Travel Policy. There was one expense reimbursement request reviewed for a supervisor that did not contain the proper signature of approval.

**Recommendation** – We recommend that management verify that all travel expense reimbursement requests which are submitted at the Health Center receive a proper secondary approval before being paid out. Management should evaluate their current policy and ensure that proper steps are in place to follow in the instance of a supervisor submitting expenses for approval.

**View of Responsible Officials** – We will reevaluate our Travel Policy, and we will ensure that proper steps are in place for expense reimbursement approval.

**2025-IA-D Business Transactions** – Business transactions between the Health Center and Health Center officials and/or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>
Rob Robinson, Board Chairman of Banklowa, Board Chairperson	Various deposit accounts, loans

**2025-IA-E Restricted Donor Activity** – No transactions were noted between the Health Center, Health Center officials, Health Center employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

**2025-IA-F Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.

**2025-IA-G Deposits and Investments** – No instances of non-compliance with the investment provisions of Chapter 12B of the Code of Iowa and the Health Center’s investment policy were noted. However, there was an instance of non-compliance with the deposit provisions of Chapter 12C of the Code of Iowa. There was one bank account that was not approved as required based on review of the Health Center’s depository resolution.

**Recommendation** – We recommend that management verify that all banks in which the Health Center has deposits are included on its depository resolution. Management should evaluate the adequacy of the current maximum deposit amounts based on the existing cash and deposit balances.

**View of Responsible Officials** – We will monitor our depository resolution in conjunction with our cash balances, and we will ensure that banks in which we have deposits are included on our depository resolution.