

**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**

Independent Auditor's Report and Financial Statements

June 30, 2020 and 2019



**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**June 30, 2020 and 2019**

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**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**June 30, 2020 and 2019**

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## Independent Auditor's Report

Board of Trustees  
Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics  
Audubon, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics (the Hospital), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics as of June 30, 2020 and 2019, and the 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.

### ***Other Matters***

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

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

#### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The supplementary and other information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary 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. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Board of Trustees  
Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

*BKD, LLP*

Kansas City, Missouri  
December 1, 2020

**Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics  
Management's Discussion and Analysis  
Years Ended June 30, 2020 and 2019**

Introduction

This management's discussion and analysis of the financial performance of Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics (the Hospital) provides an overview of the Hospital's financial activities for the years ended June 30, 2020 and 2019. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash and cash equivalents increased between 2020 and 2019 by \$6,293,394 or 313 percent and increased \$672,313 or 50 percent between 2019 and 2018.
- Patient accounts receivable, net of allowance decreased \$191,640 or 13 percent in 2020 compared to 2019 and increased \$342,309 or 31 percent in 2019 compared to 2018.
- The Hospital's net position increased \$576,441 or 3 percent in 2020 and increased \$197,914 or 1 percent in 2019 over 2018.
- The Hospital reported an operating loss in 2020 of \$902,879 compared to a loss in 2019 of \$1,108,221. The operating loss in 2020 represents a decrease of \$205,342 from the operating loss reported in 2019. The loss in 2019 represents an increase of \$487,925 from the operating loss reported in 2018.

***Using This Annual Report***

The Hospital's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

***The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position***

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, deferred outflows of resources, all liabilities and all deferred inflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in them. The Hospital's total net position—the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating.

Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

### ***The Statement of Cash Flows***

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

### ***The Hospital's Net Position***

The Hospital's net position is the difference between its assets, deferred outflows of resources, liabilities and deferred inflows of resources reported in the Balance Sheet. The Hospital's net position increased by \$576,441 or 3 percent in 2020 as shown in Table 1.



**Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

	2020	2019	2018
<b>Assets</b>			
Patient accounts receivable, net	\$ 1,261,905	\$ 1,453,545	\$ 1,111,236
Other current assets	18,482,664	12,768,768	12,381,349
Capital assets, net	3,376,377	3,021,533	3,346,265
Other noncurrent assets	6,034,401	5,879,185	5,648,001
Total assets	29,155,347	23,123,031	22,486,851
<b>Deferred Outflows of Resources</b>	969,292	1,507,628	1,611,938
Total assets and deferred outflows of resources	\$ 30,124,639	\$ 24,630,659	\$ 24,098,789
<b>Liabilities</b>			
Pension liability	\$ 4,173,669	\$ 4,864,094	\$ 4,972,749
Other postemployment benefit liability	131,706	131,799	-
Long-term debt	830,000	81,037	-
Other current and noncurrent liabilities	5,275,752	1,073,475	1,031,237
Total liabilities	10,411,127	6,150,405	6,003,986
<b>Deferred Inflows of Resources</b>	2,009,938	1,353,121	1,165,584
<b>Net Position</b>			
Invested in capital assets, net of related debt	3,295,340	2,895,799	3,346,265
Restricted expendable	166,557	161,236	159,367
Restricted nonexpendable	10,000	10,000	10,000
Unrestricted	14,231,677	14,060,098	13,413,587
Total net position	17,703,574	17,127,133	16,929,219
Total liabilities, deferred inflows of resources and net position	\$ 30,124,639	\$ 24,630,659	\$ 24,098,789

In 2020, the Hospital's assets increased due to approximately \$3,812,000 in funding received as part of the CARES Act, which were included in cash and cash equivalents, deposits and investments. Estimated amounts due from third-party payers increased approximately \$72,000 due to changes in cost report settlements in 2020.

The Hospital's liabilities increased by \$1,360,000 as part of a loan received from the Paycheck Protection Program (PPP). Liabilities also increased by approximately \$3,793,000 due to CARES Act funding received.

In 2020, net accounts receivable decreased by \$191,640 from fiscal year 2019. Net days in accounts receivable decreased to 39 in 2020 from 47 in 2019.

There was an increase in capital assets of \$354,844 between 2020 and 2019.

In 2019, the Hospital's assets increased due to investing the additional funds generated from operations between 2019 and 2018, which were included in cash and cash equivalents, deposits and investments. This increase was approximately \$1,100,000. Estimated amounts due from third-party payers decreased approximately \$447,000 due to changes in cost report settlements in 2019.

The Hospital's liabilities increased \$219,000 due to estimated changes in third-party payer amounts including cost report reserve amounts. Liabilities also increased by approximately \$132,000 due to the adoption of GASB 75 for other post-employment benefit liability.

### ***Operating Results and Changes in the Hospital's Net Position***

In 2020, the Hospital's net position increased by \$576,441 or 3 percent as shown in Table 2. This increase is made up of several different components.

**Table 2: Operating Results and Changes in Net Position**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Operating Revenues</b>			
Net patient service revenue	\$ 11,583,668	\$ 11,258,938	\$ 11,062,912
Other operating revenues	<u>712,847</u>	<u>452,383</u>	<u>835,246</u>
Total operating revenues	<u>12,296,515</u>	<u>11,711,321</u>	<u>11,898,158</u>
<b>Operating Expenses</b>			
Salaries, wages and employee benefits	8,112,926	8,059,055	8,235,932
Purchased services and professional fees	1,119,260	965,251	1,050,415
Depreciation and amortization	663,119	698,917	718,679
Other operating expenses	<u>3,304,089</u>	<u>3,096,319</u>	<u>3,489,278</u>
Total operating expenses	<u>13,199,394</u>	<u>12,819,542</u>	<u>13,494,304</u>
<b>Operating Loss</b>	<u>(902,879)</u>	<u>(1,108,221)</u>	<u>(1,596,146)</u>
<b>Nonoperating Revenues</b>			
Property taxes	1,111,255	1,085,326	1,004,148
Investment income	322,667	301,456	176,396
Noncapital gifts	<u>45,398</u>	<u>54,100</u>	<u>73,152</u>
Total nonoperating revenues	<u>1,479,320</u>	<u>1,440,882</u>	<u>1,253,696</u>
<b>Increase (Decrease) in Net Position, before cumulative effect of applying GASB 75</b>	<u><u>\$ 576,441</u></u>	<u><u>\$ 332,661</u></u>	<u><u>\$ (342,450)</u></u>

## ***Operating Income and Losses***

The first component of the overall change in the Hospital's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In 2020, 2019 and 2018, the Hospital reported an operating loss. This is consistent with the Hospital's recent operating history as the Hospital was formed and is operated primarily to serve residents of Audubon County and the surrounding area. The Hospital levies property taxes to provide sufficient resources to enable the facility to serve patients. The primary components of the change in operations from 2019 to 2020 are as follows:

In 2020, the Hospital had an operating loss of \$902,879, which was a decrease of \$205,342 as compared to the 2019 loss. Some of the factors contributing to the increased operating loss were:

- The Hospital's net patient service revenue increased by almost 3 percent or \$324,730 from 2019 to 2020.
- The Hospital's other operating revenues increased 58 percent, or \$260,464 primarily due to the 340B drug retail program revenue due to changes in the agreement with Medica and to the bankruptcy of Shopko in 2019.
- The Hospital's salaries, wages and employee benefits increased \$53,871 or 1 percent due to annual increases.
- Purchased services and professional fees increased by \$154,009 or 16 percent primarily due to additional professional services in the emergency room and outpatient clinics.

In 2019, the Hospital had an operating loss of \$1,108,221, which was an increase of \$487,925 as compared to the 2018 loss. Some of the factors contributing to the decreased operating loss were:

- The Hospital's net patient service revenue increased by over 1 percent or \$196,026 from 2018 to 2019.
- The Hospital's other operating revenues decreased 46 percent, or \$382,863 primarily due to the 340B drug retail program revenue due to changes in the agreement with Medica and to the bankruptcy of Shopko.
- The Hospital's salaries, wages and employee benefits decreased \$176,877 or 2 percent due to decreased full time employees, as certain positions were not replaced.
- Other operating expenses decreased by \$392,959 or 11 percent primarily due to the termination of the management services agreement with Mercy Health Network, Inc. in 2018.

## ***Nonoperating Revenues and Expenses***

Nonoperating revenues and expenses consist primarily of property tax, investment income and noncapital gifts. In total, the nonoperating revenues increased by \$38,438 or 3 percent from 2019 to 2020 and increased by \$187,186 or 15 percent from 2018 to 2019. The increase in 2020 was primarily due to an increase in investment income and property taxes.

## ***Contributions and Grants***

The Hospital received contributions and grants of \$45,398 from various individuals and grants in 2020, a decrease of \$8,702 or 16 percent from 2019.

The Hospital received contributions and grants of \$54,100 from various individuals and grants in 2019, a decrease of \$19,052 or 16 percent from 2018.

## ***The Hospital's Cash Flows***

Changes in the Hospital's cash flows are consistent with changes in the operating loss and nonoperating revenues and expenses in 2020, 2019 and 2018, discussed earlier.

## ***Capital Assets and Debt Administration***

### Capital Assets

At the end of 2020, the Hospital had approximately \$3,376,300 invested in capital assets, net of accumulated depreciation, as detailed in *Note 6* to the financial statements. In 2020, the Hospital purchased new capital assets costing \$1,022,326.

At the end of 2019, the Hospital had approximately \$3,021,000 invested in capital assets, net of accumulated depreciation, as detailed in *Note 6* to the financial statements. In 2019, the Hospital purchased new capital assets costing \$381,950.

### Debt

During 2020, the Hospital received a loan of approximately \$1,360,000 as part of the Paycheck Protection Program (PPP), set up by the United States Small Business Administration as allocated in the CARES Act. The Hospital had \$81,037 in capital lease obligations outstanding at June 30, 2020.

During 2019, the Hospital initiated \$147,340 of new debt for capital leases. The Hospital had \$125,239 in capital lease obligations outstanding at June 30, 2019.

## ***Factors Bearing on Audubon County Memorial Hospital's Future***

At the time these financial statements were prepared and audited, the Hospital was aware of some existing circumstances that could significantly affect its financial health in the future.

- The Hospital relies heavily on the continuance of the Critical Access Hospital program and the associated cost reimbursement for Medicare and Medicaid patients. The Hospital is closely monitoring cost-cutting measures at the Congressional level and will continue grass roots efforts to educate Congressional leaders about the detrimental impact significant changes to the Critical Access Hospital program would mean to the Hospital. The Hospital was also affected by the COVID-19 pandemic in both the nature of services provided and economically which continues to be an unknown.

## ***Contacting the Hospital's Financial Management***

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital Administration by calling 712.563.2611.

**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**Balance Sheets**  
**June 30, 2020 and 2019**

**Assets and Deferred Outflows of Resources**

	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8,301,753	\$ 2,008,359
Certificates of deposit	7,909,293	9,042,846
Patient accounts receivable, net of allowance; 2020 - \$451,800, 2019 - \$453,400	1,261,905	1,453,545
Property taxes receivable	1,251,660	1,109,535
Other receivables	363,512	148,305
Supplies	266,198	251,764
Prepaid expenses	318,248	207,959
Estimated amounts due from third-party payers	72,000	-
	<hr/>	<hr/>
Total current assets	19,744,569	14,222,313
	<hr/>	<hr/>
<b>Noncurrent Cash, Deposits, Investments and Other</b>		
Internally designated	5,712,823	5,530,227
Restricted by donors for		
Scholarships	18	27
Physician recruitment	166,539	162,651
Endowment	10,000	10,000
	<hr/>	<hr/>
	5,889,380	5,702,905
	<hr/>	<hr/>
<b>Capital Assets, Net</b>	3,376,377	3,021,533
	<hr/>	<hr/>
<b>Other Assets - physician receivables</b>	145,021	176,280
	<hr/>	<hr/>
Total assets	29,155,347	23,123,031
	<hr/>	<hr/>
<b>Deferred Outflows of Resources</b>	969,292	1,507,628
	<hr/>	<hr/>
Total assets and deferred outflows of resources	<u>\$ 30,124,639</u>	<u>\$ 24,630,659</u>

## Liabilities, Deferred Inflows of Resources and Net Position

	2020	2019
<b>Current Liabilities</b>		
Accounts payable	\$ 252,107	\$ 203,488
Accrued salaries, vacation and benefits payable	604,083	606,785
Current maturities of long-term debt	611,037	44,202
Refundable advances	3,793,525	-
Estimated amounts due to third-party payers	15,000	219,000
Total current liabilities	5,275,752	1,073,475
Long-term debt	830,000	81,037
Pension liability	4,173,669	4,864,094
Other postemployment benefit liability	131,706	131,799
Total liabilities	10,411,127	6,150,405
<b>Deferred Inflows of Resources</b>		
Property taxes	1,251,660	1,109,535
Pension plan	758,278	243,586
Total deferred inflows of resources	2,009,938	1,353,121
<b>Net Position</b>		
Net investment in capital assets, net of related debt	3,295,340	2,895,799
Restricted - expendable for		
Scholarships	18	27
Physician recruitment	166,539	161,209
Restricted nonexpendable	10,000	10,000
Unrestricted	14,231,677	14,060,098
Total net position	17,703,574	17,127,133
Total liabilities, deferred inflows of resources and net position	\$ 30,124,639	\$ 24,630,659

**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2020 - \$138,468, 2019 - \$194,763	\$ 11,583,668	\$ 11,258,938
Other revenues	<u>712,847</u>	<u>452,383</u>
Total operating revenues	<u>12,296,515</u>	<u>11,711,321</u>
<b>Operating Expenses</b>		
Salaries and wages	5,689,126	5,866,711
Employee benefits	2,423,800	2,192,344
Contract labor	488,685	305,468
Professional fees and purchased services	1,119,260	965,251
Supplies	1,671,254	1,571,569
Facility costs	327,794	332,978
Repair and maintenance	273,621	245,375
Equipment leases and rentals	45,649	122,640
Insurance	78,425	58,217
Depreciation and amortization	663,119	698,917
Other expense	<u>418,661</u>	<u>460,072</u>
Total operating expenses	<u>13,199,394</u>	<u>12,819,542</u>
<b>Operating Loss</b>	<u>(902,879)</u>	<u>(1,108,221)</u>
<b>Nonoperating Revenues</b>		
Property taxes	1,111,255	1,085,326
Investment income	322,667	301,456
Noncapital grants and gifts	<u>45,398</u>	<u>54,100</u>
Total nonoperating revenues	<u>1,479,320</u>	<u>1,440,882</u>
<b>Increase in Net Position</b>	<u>576,441</u>	<u>332,661</u>
<b>Net Position, Beginning of Year, as previously reported</b>	17,127,133	16,929,219
<b>Cumulative Effect of Applying GASB 75</b>	<u>-</u>	<u>(134,747)</u>
<b>Net Position, Beginning of Year, as restated</b>	<u>17,127,133</u>	<u>16,794,472</u>
<b>Net Position, End of Year</b>	<u><u>\$ 17,703,574</u></u>	<u><u>\$ 17,127,133</u></u>

**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from and on behalf of patients	\$ 11,499,308	\$ 11,582,329
Payments to employees	(7,753,118)	(7,996,849)
Payments to suppliers and contractors	(4,498,958)	(4,107,636)
Other receipts, net	<u>533,262</u>	<u>587,440</u>
Net cash provided by (used in) operating activities	<u>(219,506)</u>	<u>65,284</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Noncapital grants and gifts	45,398	54,100
Stimulus funds received	3,793,525	-
Proceeds from issuance of long-term debt	1,360,000	-
Property taxes supporting operations	<u>1,111,255</u>	<u>1,085,326</u>
Net cash provided by noncapital financing activities	<u>6,310,178</u>	<u>1,139,426</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(1,022,821)	(376,511)
Principle payments on capital lease	<u>(44,202)</u>	<u>(22,101)</u>
Net cash used in capital and related financing activities	<u>(1,067,023)</u>	<u>(398,612)</u>
<b>Cash Flows from Investing Activities</b>		
Change in deposits and investments	1,025,655	(287,807)
Investment income	<u>322,667</u>	<u>301,456</u>
Net cash provided by investing activities	<u>1,348,322</u>	<u>13,649</u>
<b>Net Increase in Cash and Cash Equivalents</b>	6,371,971	819,747
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,985,153</u>	<u>2,165,406</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 9,357,124</u></u>	<u><u>\$ 2,985,153</u></u>



**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b>		
Cash and cash equivalents	\$ 8,301,753	\$ 2,008,359
Noncurrent cash, deposits, investments and other Internally designated	<u>1,055,371</u>	<u>976,794</u>
	<u>\$ 9,357,124</u>	<u>\$ 2,985,153</u>
	<u>2020</u>	<u>2019</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</b>		
Operating loss	\$ (902,879)	\$ (1,108,221)
Depreciation and amortization	663,119	698,917
Loss on sale of capital assets	4,363	7,765
Changes in operating assets and liabilities		
Patient accounts receivable	191,640	(342,309)
Estimated amounts due from and to third-party payers	(276,000)	665,700
Accounts payable and accrued expenses	46,412	(118,038)
OPEB liability	(93)	(2,948)
Pension liability	(690,425)	(108,655)
Deferred outflows of resources	538,336	104,310
Deferred inflows of resources - pension plan and other postemployment benefits	514,692	187,537
Other current and noncurrent assets	<u>(308,671)</u>	<u>81,226</u>
Net cash provided by (used in) operating activities	<u>\$ (219,506)</u>	<u>\$ 65,284</u>
<b>Noncash Investing, Capital and Financing Activities</b>		
Capital lease obligation incurred for capital assets	\$ -	\$ 147,340
Capital asset acquisitions included in accounts payable	-	495

**Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics  
Notes to Financial Statements  
June 30, 2020 and 2019**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics (the Hospital) is a county public hospital organized under Chapter 347 of the Code of Iowa, governed by a seven-member board of trustees. The Hospital and Audubon County Hospital Foundation (the Foundation) are collectively referred to here as the Hospital. The Foundation is organized under Chapter 504A of the Code of Iowa.

***Blended Component Unit***

In accordance with GASB criteria, Audubon County Hospital Foundation (Foundation) is included in the accompanying financial statements as a blended component unit. The Foundation is legally separate from Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics, but was organized primarily for its benefit.

***Basis of Accounting and Presentation***

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal grants) nonexchange transactions (principally county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# **Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

### ***Cash Equivalents***

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2020 and 2019, cash equivalents consisted primarily of money market accounts with certificates of deposits.

### ***Deferred Outflows of Resources***

Deferred outflows of resources represent a consumption of net position that applies to future periods 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.

### ***Property Taxes***

The Hospital received approximately 8 percent of its financial support from property tax revenues for the years ended June 30, 2020 and 2019, which were used to support operations. The Hospital levies the tax in March of each year based on assessed valuation of property in the County as of the second preceding January 1. Tax bills are sent by the County in August and the taxes are payable half on September 1 and March 1, and become delinquent after October 1 and April 1, respectively.

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

### ***Patient Accounts Receivable***

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

### ***Supplies***

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method or market.

# **Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

### ***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	10 to 40 years
Buildings, improvements and fixed equipment	5 to 40 years
Major moveable equipment	3 to 20 years

### ***Investments and Investment Income***

All investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend, interest income and the realized gains and losses on investments carried at fair value.

### ***Risk Management***

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, vision, short-term disability and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

### ***Compensated Absences and Benefits***

Hospital policies permit most employees to accumulate paid time off benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

# **Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

### ***Pensions***

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

### ***Deferred Inflows of Resources***

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

### ***Defined Benefit Other Postemployment Benefit Plan***

The Hospital has a single-employer defined benefit other postemployment benefit plan, the OPEB Plan. For purposes of measuring the total OPEB liability, deferred outflows of resources, deferred inflows of resources and expenses related to the OPEB have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

### ***Net Position***

Net position of the Hospital is classified in four components on its balance sheets. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Hospital. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

# **Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

### ***Net Patient Service Revenue***

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and include estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods, as adjustments become known.

### ***Charity Care***

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. Charges excluded from revenue under the Hospital's charity care policy were \$8,604 and \$19,651 for 2020 and 2019, respectively.

### ***Income Taxes***

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

## **Note 2: Net Patient Service Revenue**

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

- **Medicare.** The Hospital is recognized as a CAH, and is paid for inpatient acute care, skilled swing-bed and outpatient services rendered to Medicare program beneficiaries at one hundred one percent (101 percent) of actual cost subject to certain limitations. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor (MAC). Beginning April 1, 2013, a mandatory payment reduction, known as sequestration, of 2 percent went into effect. Under current legislation, sequestration is scheduled to last until 2025; however, these reductions were suspended for services performed in the period May 2020 to December 2020.

**Audubon County Memorial Hospital  
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- **Medicaid.** Inpatient and outpatient services rendered to Medicaid program beneficiaries not covered under Medicaid Managed Care Organization contracts are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with the final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid program. Inpatient, outpatient and clinic services provided to Medicaid program beneficiaries who are covered under Medicaid Managed Care Organization contracts are paid primarily based on a prospective payment methodology.

Approximately 72 percent and 76 percent of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2020 and 2019, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

**Note 3: Deposits, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The Hospital had no bank balances exposed to custodial credit risk at June 30, 2020 and 2019. The Hospital's deposits in banks at June 30, 2020 and 2019 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.

# Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics

## Notes to Financial Statements

June 30, 2020 and 2019

### **Investments**

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

At June 30, 2020 and 2019, the Hospital had the following investments and maturities:

<b>June 30, 2020</b>					
<b><u>Maturities in Years</u></b>					
<b>Type</b>	<b>Fair Value</b>	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
Beneficial interest in Omaha Community Foundation - mutual funds	<u>\$ 180,126</u>	\$ 180,126	\$ -	\$ -	\$ -
<b>June 30, 2019</b>					
<b><u>Maturities in Years</u></b>					
<b>Type</b>	<b>Fair Value</b>	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
Beneficial interest in Omaha Community Foundation - mutual funds	<u>\$ 174,104</u>	\$ 174,104	\$ -	\$ -	\$ -

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Hospital’s investment policy limits investments to maturities consistent with the needs and uses of the Hospital. The money market funds are presented as investments with a maturity of less than one year because they are redeemable in full immediately.



# Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics

## Notes to Financial Statements

June 30, 2020 and 2019

### **Summary of Carrying Values**

The carrying values of deposits and investments are included in the balance sheets as follows:

	<b>2020</b>	<b>2019</b>
Carrying value		
Deposits	\$ 21,920,300	\$ 16,580,006
Investments	<u>180,126</u>	<u>174,104</u>
	<u><u>\$ 22,100,426</u></u>	<u><u>\$ 16,754,110</u></u>
	<b>2020</b>	<b>2019</b>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 8,301,753	\$ 2,008,359
Certificates of deposit	7,909,293	9,042,846
Noncurrent cash, deposits, investments and other	<u>5,889,380</u>	<u>5,702,905</u>
	<u><u>\$ 22,100,426</u></u>	<u><u>\$ 16,754,110</u></u>

### **Investment Income**

Investment income for the years ended June 30 consisted of:

	<b>2020</b>	<b>2019</b>
Interest and dividend income	\$ 310,643	\$ 296,536
Net increase in fair value of investments	<u>12,024</u>	<u>4,920</u>
	<u><u>\$ 322,667</u></u>	<u><u>\$ 301,456</u></u>

### **Note 4: Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities

# Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics

## Notes to Financial Statements

**June 30, 2020 and 2019**

- Level 2**    Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3**    Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

### ***Recurring Measurements***

The Hospital held \$180,126 and \$174,104 of mutual funds as of June 30, 2020 and 2019, respectively. The fair value measurement of these assets in the accompanying financial statements are measured at fair value on a recurring basis. The level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019 were Level 2.

### ***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

### **Note 5:    Patient Accounts Receivable**

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at June 30, 2020 and 2019 consisted of:

	<b>2020</b>	<b>2019</b>
Medicare	\$ 614,468	\$ 785,602
Medicaid	134,037	157,359
Other third-party payers	440,783	462,693
Patients	524,417	501,291
	<u>1,713,705</u>	<u>1,906,945</u>
Less allowance for uncollectible accounts	<u>451,800</u>	<u>453,400</u>
	<u><u>\$ 1,261,905</u></u>	<u><u>\$ 1,453,545</u></u>

# Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 6: Capital Assets

Capital assets activity for the years ended June 30, 2020 and 2019 follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers/ Adjustments</b>	<b>Ending Balance</b>
<b>2020</b>					
Land	\$ 73,783	\$ -	\$ -	\$ -	\$ 73,783
Land improvements	458,325	-	-	-	458,325
Buildings	8,455,780	163,221	-	324,086	8,943,087
Fixed equipment	569,708	-	28,255	-	541,453
Major movable equipment	5,591,226	360,284	1,033,910	182,841	5,100,441
Construction in progress	8,106	498,821	-	(506,927)	-
	<u>15,156,928</u>	<u>1,022,326</u>	<u>1,062,165</u>	<u>-</u>	<u>15,117,089</u>
Less accumulated depreciation					
Land improvements	415,028	6,772	-	-	421,800
Buildings	6,627,417	245,418	-	-	6,872,835
Fixed equipment	497,085	14,646	28,255	-	483,476
Major movable equipment	4,595,865	396,283	1,029,547	-	3,962,601
	<u>12,135,395</u>	<u>663,119</u>	<u>1,057,802</u>	<u>-</u>	<u>11,740,712</u>
Capital assets, net	<u>\$ 3,021,533</u>	<u>\$ 359,207</u>	<u>\$ 4,363</u>	<u>\$ -</u>	<u>\$ 3,376,377</u>

# Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics

## Notes to Financial Statements

June 30, 2020 and 2019

	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
<b>2019</b>					
Land	\$ 73,783	\$ -	\$ -	\$ -	\$ 73,783
Land improvements	458,325	-	-	-	458,325
Buildings	8,518,507	6,536	100,007	30,744	8,455,780
Fixed equipment	570,219	9,040	9,551	-	569,708
Major movable equipment	5,526,780	246,390	266,676	84,732	5,591,226
Construction in progress	3,598	119,984	-	(115,476)	8,106
	<u>15,151,212</u>	<u>381,950</u>	<u>376,234</u>	<u>-</u>	<u>15,156,928</u>
Less accumulated depreciation					
Land improvements	405,702	9,326	-	-	415,028
Buildings	6,488,959	236,144	97,686	-	6,627,417
Fixed equipment	492,326	14,310	9,551	-	497,085
Major movable equipment	4,417,960	439,137	261,232	-	4,595,865
	<u>11,804,947</u>	<u>698,917</u>	<u>368,469</u>	<u>-</u>	<u>12,135,395</u>
Capital assets, net	<u>\$ 3,346,265</u>	<u>\$ (316,967)</u>	<u>\$ 7,765</u>	<u>\$ -</u>	<u>\$ 3,021,533</u>

### Note 7: Medical Malpractice Insurance

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**Note 8: Long-term Debt**

The following is a summary of long-term obligation transactions for the Hospital for the years ended June 30, 2020 and 2019.

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Capital lease obligation	\$ 125,239	\$ -	\$ (44,202)	\$ 81,037	\$ 44,202
Note payable to bank	-	1,360,000	-	1,360,000	566,835
Total long-term debt	<u>\$ 125,239</u>	<u>\$ 1,360,000</u>	<u>\$ (44,202)</u>	<u>\$ 1,441,037</u>	<u>\$ 611,037</u>

  

	2019				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Capital lease obligation	\$ -	\$ 147,340	\$ (22,101)	\$ 125,239	\$ 44,202

**Note Payable to Bank**

During 2020, the Hospital received a loan of approximately \$1,360,000 as part of the Paycheck Protection Program (PPP), set up by the United States Small Business Administration as allocated in the CARES Act. The note payable to the bank is due May 4, 2022, with principal payable annually and interest at one percent payable monthly beginning November 4, 2020.

Subsequent to year end, the Hospital was notified that the PPP note was forgiven on November 18, 2020.

**Debt Service Requirements**

Debt service requirements on long-term debt other than lease liabilities as of June 30, 2020, are as follows:

Year Ending June 30,	Principle	Interest	Total to Be Paid
2021	\$ 566,835	\$ 13,099	\$ 579,934
2022	<u>793,165</u>	<u>3,970</u>	<u>797,135</u>
	<u>\$ 1,360,000</u>	<u>\$ 17,069</u>	<u>\$ 1,377,069</u>

**Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics  
Notes to Financial Statements  
June 30, 2020 and 2019**

***Capital Lease Obligation***

The Hospital is obligated under lease for equipment that is accounted for as a capital lease. Asset under capital lease at June 30, 2020 and 2019, totaled \$131,856 and \$131,856, respectively, net of accumulated depreciation of \$69,590 and \$25,638, respectively. The following is a schedule by year of future minimum lease payments under the capital lease. The capital lease includes a 0 percent interest rate:

<u>Year Ending June 30,</u>	
2021	\$ 44,202
2022	<u>36,835</u>
	<u><u>\$ 81,037</u></u>

**Note 9: Restricted and Designated Net Position**

At June 30, 2020 and 2019, restricted expendable net position was available for the following purposes:

	<u>2020</u>	<u>2019</u>
Physician recruitment	\$ 166,539	\$ 161,209
Other	<u>18</u>	<u>27</u>
Total restricted expendable net position	<u><u>\$ 166,557</u></u>	<u><u>\$ 161,236</u></u>

At June 30, 2020 and 2019, the Hospital had \$10,000 of restricted nonexpendable net position.

**Audubon County Memorial Hospital  
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Notes to Financial Statements  
June 30, 2020 and 2019**

**Note 10: Pension Plan**

***Plan Description***

IPERS membership is mandatory for employees of the Hospital, except for those covered by another retirement system. Employees of the Hospital are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the IPERS. IPERS issues a stand-alone financial report, which is available to the public by mail at 7401 Register Drive, 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 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 percent of average salary after completion of 22 years of service, plus an additional 1.5 percent of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

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

# **Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

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 one percentage point. IPERS Contribution Rate Funding Policy requires 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 2020 and 2019, pursuant to the required rate, Regular members contributed 6.29 percent of pay and the Hospital contributed 9.44 percent of covered payroll for a total rate of 15.73 percent.

The Hospital's contributions to IPERS for the years ended June 30, 2020, 2019 and 2018 were \$510,661, \$525,782 and \$522,154, respectively.

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

At June 30, 2020 and 2019, the Hospital reported a liability of \$4,173,669 and \$4,864,094, respectively, for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2019, the Hospital's collective proportion was 0.072 percent, which was a decrease of 0.005 percent from its proportion measured as of June 30, 2018. At June 30, 2018, the Hospital's collective proportion was 0.077 percent which was an increase of 0.002 percent from its proportion measured as of June 30, 2017.



# Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics

## Notes to Financial Statements

June 30, 2020 and 2019

For the years ended June 30, 2020 and 2019, the Hospital recognized pension expense of \$887,413 and \$672,016, respectively. At June 30, 2020 and 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2020</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 11,571	\$ 150,063
Change of assumptions	447,060	-
Net difference between projected and actual earnings on pension plan investments	-	470,323
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	-	137,892
Hospital contributions subsequent to the measurement date	510,661	-
Total	<u>\$ 969,292</u>	<u>\$ 758,278</u>

  

	<b>2019</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 26,669	\$ 109,936
Change of assumptions	693,893	-
Net difference between projected and actual earnings on pension plan investments	-	133,650
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	261,284	-
Hospital contributions subsequent to the measurement date	525,782	-
Total	<u>\$ 1,507,628</u>	<u>\$ 243,586</u>

**Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics  
Notes to Financial Statements  
June 30, 2020 and 2019**

Approximately \$511,000 and \$526,000 were reported as deferred outflows of resources related to pensions resulting from the Hospital contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the years ended June 30, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	
2021	\$ 72,567
2022	(113,291)
2023	(153,398)
2024	(69,519)
2025	<u>(36,006)</u>
	<u><u>\$ (299,647)</u></u>

There were no non-employer contributing entities at IPERS.

***Actuarial Assumptions***

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% per annum based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 and 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

# Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics

## Notes to Financial Statements

June 30, 2020 and 2019

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0%	6.08%
Global smart beta equity	3.0%	5.82%
Core-plus fixed income	27.0%	1.71%
Public credit	3.5%	3.32%
Public real assets	7.0%	2.81%
Cash	1.0%	-0.21%
Private equity	11.0%	10.13%
Private real assets	7.5%	4.76%
Private credit	3.0%	3.01%
	100%	

### ***Discount Rate***

The discount rate used to measure the total pension liability was 7 percent at June 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Hospital will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics  
Notes to Financial Statements  
June 30, 2020 and 2019**

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

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

	<b>1% Decrease 6.00%</b>	<b>Current Discount Rate 7.00%</b>	<b>1% Increase 8.00%</b>
Hospital's proportionate share of the net pension liability	\$ 7,411,089	\$ 4,173,669	\$ 1,458,157

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report, which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

***Payables to the Pension Plan***

At June 30, 2020 and 2019, the Hospital reported payables to the defined benefit pension plan of \$53,274 and \$51,932, respectively, for legally required employer contributions and \$35,516 and \$34,621, respectively, for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 11: Postemployment Health Care Plan**

***Plan Description***

The Hospital provides health insurance benefits for certain retired employees and their spouses under a single-employer defined benefit OPEB self-insured plan. Group benefits are established under Iowa Code 509A 13. Pursuant to the provisions of the plan, retirees are required to pay the total premium cost. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics  
Notes to Financial Statements  
June 30, 2020 and 2019**

***OPEB Benefits***

Individuals who are employed by the Hospital and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	<u>103</u>
Total	<u><u>106</u></u>

***Total OPEB Liability***

The Hospital's total OPEB liability of \$131,706 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019 rolled forward to June 30, 2020. The Hospital's total OPEB Liability of \$131,799 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018 rolled forward to June 30, 2019.

***Actuarial Assumptions***

The total OPEB liability in the July 1, 2019 actuarial valuation report was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of salary increase (Effective July 1, 2018)	3.25% per annum
Discount rate (Effective July 1, 2018)	3.87% per annum including inflation
Healthcare cost trend rate (Effective July 1, 2018)	7.00% decreasing to 5.00% in 2025

***Discount Rate***

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

Mortality rates are from the RP 2014 Adjusted to 2006 Total Dataset Headcount-weighted. Mortality with MP-2018 Full Generational Improvement.

**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

***Changes in Total OPEB Liability***

	<b>2020</b>	<b>2019</b>
Total OPEB liability, beginning of year	\$ 131,799	\$ 134,747
Changes for the year:		
Service cost	10,914	10,571
Interest	5,209	5,261
Benefits	(16,216)	(18,780)
Total OPEB liability, end of year	<u>\$ 131,706</u>	<u>\$ 131,799</u>

The amount of payments for OPEB made by the Hospital subsequent to the measurement date through the end of the fiscal year is insignificant.

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

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

	<b>1% Decrease (2.87%)</b>	<b>Discount Rate (3.87%)</b>	<b>1% Increase (4.87%)</b>
Total OPEB Liability	\$ 138,878	\$ 131,706	\$ 124,962

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

The following presents the total OPEB liability of the Hospital, as well as what the Hospital's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percent lower (7.00 percent) or 1 percent higher (8.00 percent) than the current healthcare cost trend rates.

	<b>1% Decrease</b>	<b>Health Care Cost Trend (7% Decreasing to 5%)</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 122,130	\$ 131,706	\$ 142,978

**Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics  
Notes to Financial Statements  
June 30, 2020 and 2019**

**OPEB Expense**

For the years ended June 30, 2020 and 2019, the Hospital recognized OPEB expense of \$16,216 and \$15,832, respectively.

**Note 12: Budget and Budgetary Accounting**

In accordance with the Code of Iowa, the board of trustees annually adopts a budget on a cash basis following required public notice and hearings for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

The following is reconciliation between reported amounts and cash basis presentation, as well as a comparison to budget for the year ended June 30, 2020:

	<b>Book Basis</b>	<b>Actual Accrual Adjustments</b>	<b>Cash Basis</b>	<b>Budget</b>
Amount to be raised by taxation	\$ 1,111,255	\$ -	\$ 1,111,255	\$ 1,109,535
Other revenues/receipts	12,684,382	(84,360)	12,600,022	12,991,382
	13,795,637	(84,360)	13,711,277	14,100,917
Expenses/disbursements	13,189,232	262,259	13,451,491	15,500,000
	606,405	(346,619)	259,786	(1,399,083)
Balance, beginning of year	16,752,251	1,569,242	18,321,493	18,321,493
Balance, end of year	<u>\$ 17,358,656</u>	<u>\$ 1,222,623</u>	<u>\$ 18,581,279</u>	<u>\$ 16,922,410</u>

**Note 13: Significant Estimates**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates. Those matters include the following:

***Litigation***

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

# **Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

### ***Other Estimates***

The Hospital has other significant estimates for the allowance for uncollectible accounts, capital assets and property taxes, all of which are described in *Note 1* and third-party payer settlements described in *Note 2*. Events could occur that would change these estimates materially in the near term.

### **Note 14: 340B Drug Pricing Program**

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases and enter into certain contracts with unrelated pharmacies who provide certain prescriptive drugs to Hospital 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, 2020 and 2019, the Hospital recognized \$561,742 and \$412,148, respectively, of 340B drug pricing program income, included in other operating revenue in the statements of revenues, expenses and changes in net position.

### **Note 15: COVID-19 Pandemic and CARES Act Funding**

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

The Hospital's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Hospital has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its operations.

The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions,



# **Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic on the Hospital's business. Decreases in cash flows and results of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated bad debt allowances and contractual adjustments related to uninsured patient accounts, and long-lived assets.

### ***Provider Relief Fund***

During the year ended June 30, 2020, the Hospital received approximately \$3,812,000 in general and targeted distributions from the CARES Act Provider Relief Fund (collectively the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19 as defined by the Department of Health and Human Services (HHS).

The Hospital is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the impact of the pandemic on the Hospital's operating results through June 30, 2020, the Hospital recognized approximately \$18,000, related to the distributions from the Provider Relief Funds, and these payments are recorded as nonoperating revenue within the noncapital grants and gifts line in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions are recorded as a refundable advance in the accompanying balance sheets.

Subsequent to year-end, HHS issued Post Payment Notice of the Reporting Requirements on September 19, 2020. The guidance outlined a two-step approach to support the funds received and expands the definition of health care related expenses and also generally limits the amount of lost revenue claimed to any negative change in net patient care operating income from calendar year 2019 to 2020. New guidance was also issued on October 22, 2020 which changes the lost revenue claimed based on changes in net revenues. Additional guidance is expected and guidance may change. As a result, the amounts recorded in the financial statements compared to the Hospital's Provider Relief Fund reporting could differ. This difference cannot be currently estimated but could be material.

**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the impact of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be impacted.

**Note 16: Implementation of Accounting Principle**

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented by restating the 2019 beginning net position. The revised requirements establish financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. Beginning net position was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u><b>Net Position</b></u>
Net Position, Beginning of Year, as previously reported	\$ 17,127,133
Cumulative Effect of Applying GASB 75	<u>(134,747)</u>
Net Position, Beginning of Year, as restated	<u><u>\$ 16,992,386</u></u>

## **Required Supplementary Information**

**Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics  
Schedule of Hospital's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
Determined as of the Measurement Date\*  
Required Supplementary Information  
(In thousands)**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Hospital's proportion of the net pension asset (liability)	0.0716%	0.0769%	0.0747%	0.0716%	0.0742%	0.0733%
Hospital's proportionate share of the net pension asset (liability)	\$ 4,174	\$ 4,864	\$ 4,973	\$ 4,508	\$ 3,663	\$ 2,908
Hospital's covered-employee payroll	\$ 5,303	\$ 5,845	\$ 5,398	\$ 5,185	\$ 5,095	\$ 4,793
Hospital's proportionate share of the net pension asset as a percentage of its covered-employee payroll	78.7%	83.0%	92.1%	83.5%	70.7%	57.1%
Plan fiduciary net position as a percentage of the total pension liability	85.5%	83.6%	82.2%	81.8%	85.2%	87.6%

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

**Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics**  
**Schedule of Hospital Contributions**  
**Iowa Public Employees' Retirement System**  
**Last 10 Fiscal Years**  
**Required Supplementary Information**  
**(In thousands)**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Statutorily required contribution	\$ 511	\$ 525	\$ 522	\$ 482	\$ 463	\$ 455	\$ 428	\$ 381	\$ 336	\$ 257
Contributions in relation to the statutorily required contribution	<u>(511)</u>	<u>(525)</u>	<u>(522)</u>	<u>(482)</u>	<u>(463)</u>	<u>(455)</u>	<u>(428)</u>	<u>(381)</u>	<u>(336)</u>	<u>(257)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered-employee payroll	\$ 5,359	\$ 5,303	\$ 5,845	\$ 5,398	\$ 5,185	\$ 5,095	\$ 4,793	\$ 4,389	\$ 4,158	\$ 3,703
Contributions as a percentage of covered-employee payroll	9.54%	9.90%	8.93%	8.93%	8.93%	8.93%	8.93%	8.68%	8.08%	6.94%

**Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics**  
**Schedule of Changes in the Hospital's Total OPEB Liability and Related Ratios**  
**Required Supplementary Information**

	<u>2020</u>	<u>2019</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 10,914	\$ 10,571
Interest cost	5,209	5,261
Changes in benefit terms	-	-
Differences between actual and expected experience	-	-
Benefit payments	<u>(16,216)</u>	<u>(18,780)</u>
<b>Net Change in Total OPEB Liability</b>	(93)	(2,948)
<b>Hospital's Total OPEB Liability - Beginning</b>	<u>131,799</u>	<u>134,747</u>
<b>Hospital's Total OPEB Liability - Ending</b>	<u><u>\$ 131,706</u></u>	<u><u>\$ 131,799</u></u>
<b>Covered Payroll</b>	\$ 5,606,738	\$ 5,430,255
<b>Hospital's Total OPEB Liability as a Percentage of Covered Payroll</b>	2%	2%

**Notes to Schedule:**

There were no significant changes in benefit terms.

Discount rate used for the measurement period ended June 30, 2020 and 2019 - 3.87 percent.

This schedule is presented as of the measurement date for the fiscal year.

**Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics  
Notes to Required Supplementary Information – Pension Liability  
Year Ended June 30, 2020**

***Changes of Benefit Terms***

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

***Changes of Assumptions***

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

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

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

- Decreased the inflation assumption from 3.00 percent to 2.60 percent.
- Decreased the assumed rate of interest on member accounts from 3.75 percent to 3.50 percent per year.
- Decreased the discount rate from 7.5 percent to 7.0 percent.
- Decreased the wage growth assumption from 4.00 percent to 3.25 percent.
- Decreased the payroll growth assumption from 4.00 percent to 3.25 percent.

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

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

## **Supplementary Information**



**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**Combining Balance Sheet**  
**June 30, 2020**

**Assets and Deferred Outflows of Resources**

	Audubon County Memorial Hospital	Audubon County Hospital Foundation	Eliminations	Total
<b>Current Assets</b>				
Cash and cash equivalents	\$ 8,191,481	\$ 110,272		\$ 8,301,753
Certificates of deposit	7,854,773	54,520		7,909,293
Patient accounts receivable, net	1,261,905	-		1,261,905
Property taxes receivable	1,251,660	-		1,251,660
Other receivables	363,512	-		363,512
Supplies	266,198	-		266,198
Prepaid expenses	318,248	-		318,248
Estimated amounts due from third-party payers	72,000	-		72,000
	<u>19,579,777</u>	<u>164,792</u>		<u>19,744,569</u>
<b>Noncurrent Cash, Deposits, Investments and Other</b>				
Internally designated	5,532,697	180,126		5,712,823
Restricted by donors for				
Scholarships	18	-		18
Physician recruitment	166,539	-		166,539
Endowment	10,000	-		10,000
	<u>5,709,254</u>	<u>180,126</u>		<u>5,889,380</u>
<b>Capital Assets, net</b>	<u>3,376,377</u>	<u>-</u>		<u>3,376,377</u>
<b>Other Assets - physician receivables</b>	<u>145,021</u>	<u>-</u>		<u>145,021</u>
Total assets	28,810,429	344,918		29,155,347
<b>Deferred Outflows of Resources</b>	<u>969,292</u>	<u>-</u>		<u>969,292</u>
Total assets and deferred outflows of resources	<u>\$ 29,779,721</u>	<u>\$ 344,918</u>	<u>\$ -</u>	<u>\$ 30,124,639</u>

**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**Combining Balance Sheet (Continued)**  
**June 30, 2020**

**Liabilities, Deferred Inflows of Resources and Net Position**

	Audubon County Memorial Hospital	Audubon County Hospital Foundation	Eliminations	Total
<b>Current Liabilities</b>				
Accounts payable	\$ 252,107	\$ -		\$ 252,107
Accrued salaries, vacation and benefits payable	604,083	-		604,083
Current maturities of long-term debt	611,037	-		611,037
Refundable advances	3,793,525	-		3,793,525
Estimated amounts due to third-party payers	<u>15,000</u>	<u>-</u>		<u>15,000</u>
Total current liabilities	5,275,752	-		5,275,752
Long-term debt	830,000	-		830,000
Pension liability	4,173,669	-		4,173,669
Other postemployment benefit liability	<u>131,706</u>	<u>-</u>		<u>131,706</u>
Total liabilities	<u>10,411,127</u>	<u>-</u>		<u>10,411,127</u>
<b>Deferred Inflows of Resources</b>				
Property taxes	1,251,660	-		1,251,660
Pension plan	<u>758,278</u>	<u>-</u>		<u>758,278</u>
Total deferred inflows of resources	<u>2,009,938</u>	<u>-</u>		<u>2,009,938</u>
<b>Net Position</b>				
Net investment in capital assets, net of related debt	3,295,340	-		3,295,340
Restricted - expendable for				
Scholarships	18	-		18
Physician recruitment	166,539	-		166,539
Restricted nonexpendable	10,000	-		10,000
Unrestricted	<u>13,886,759</u>	<u>344,918</u>		<u>14,231,677</u>
Total net position	<u>17,358,656</u>	<u>344,918</u>		<u>17,703,574</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 29,779,721</u>	<u>\$ 344,918</u>	<u>\$ -</u>	<u>\$ 30,124,639</u>

**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**Combining Schedule of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2020**

	<b>Audubon County Memorial Hospital</b>	<b>Audubon County Hospital Foundation</b>	<b>Eliminations</b>	<b>Total</b>
<b>Operating Revenues</b>				
Net patient service revenue, net of provision for uncollectible accounts; \$138,468	\$ 11,583,668			\$ 11,583,668
Other revenues	<u>712,847</u>			<u>712,847</u>
Total operating revenues	<u>12,296,515</u>			<u>12,296,515</u>
<b>Operating Expenses</b>				
Salaries and wages	5,683,681	\$ 5,445		5,689,126
Employee benefits	2,423,383	417		2,423,800
Contract labor	488,685	-		488,685
Professional fees and purchased services	1,119,260	-		1,119,260
Supplies	1,671,254	-		1,671,254
Facility costs	327,794	-		327,794
Repair and maintenance	273,621	-		273,621
Equipment leases and rentals	45,649	-		45,649
Insurance	78,425	-		78,425
Depreciation and amortization	663,119	-		663,119
Other expense	<u>414,361</u>	<u>65,299</u>	<u>\$ (60,999)</u>	<u>418,661</u>
Total operating expenses	<u>13,189,232</u>	<u>71,161</u>	<u>(60,999)</u>	<u>13,199,394</u>
<b>Operating Loss</b>	<u>(892,717)</u>	<u>(71,161)</u>	<u>60,999</u>	<u>(902,879)</u>
<b>Nonoperating Revenues</b>				
Property taxes	1,111,255	-	-	1,111,255
Investment income	308,552	14,115	-	322,667
Noncapital grants and gifts	<u>18,316</u>	<u>27,082</u>	<u>-</u>	<u>45,398</u>
Total nonoperating revenues	<u>1,438,123</u>	<u>41,197</u>	<u>-</u>	<u>1,479,320</u>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	545,406	(29,964)	60,999	576,441
<b>Grants and Contributions</b>	<u>60,999</u>	<u>-</u>	<u>(60,999)</u>	<u>-</u>
<b>Increase (Decrease) in Net Position</b>	606,405	(29,964)	-	576,441
<b>Net Position, Beginning of Year,</b>	<u>16,752,251</u>	<u>374,882</u>	<u>-</u>	<u>17,127,133</u>
<b>Net Position, End of Year</b>	<u><u>\$ 17,358,656</u></u>	<u><u>\$ 344,918</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,703,574</u></u>

**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**Schedules of Patient Service Revenues**  
**Years Ended June 30, 2020 and 2019**

	2020			2019		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
<b>Daily Patient Services</b>						
Medical and surgical	\$ 270,003	\$ 136,480	\$ 406,483	\$ 295,999	\$ 150,010	\$ 446,009
Skilled nursing care	238,259	-	238,259	250,999	-	250,999
	<u>508,262</u>	<u>136,480</u>	<u>644,742</u>	<u>546,998</u>	<u>150,010</u>	<u>697,008</u>
<b>Nursing Services</b>						
Operating room	18,524	2,273,350	2,291,874	14,659	2,535,366	2,550,025
Emergency	11,962	729,821	741,783	7,474	832,415	839,889
	<u>30,486</u>	<u>3,003,171</u>	<u>3,033,657</u>	<u>22,133</u>	<u>3,367,781</u>	<u>3,389,914</u>
<b>Other Professional Services</b>						
Pharmacy	163,790	1,999,230	2,163,020	221,282	2,072,826	2,294,108
Laboratory	287,874	1,337,650	1,625,524	348,331	1,540,657	1,888,988
Radiology	60,623	1,708,584	1,769,207	77,431	1,855,346	1,932,777
Audubon Family Health Care Clinic	-	1,147,102	1,147,102	-	1,318,795	1,318,795
Physical therapy	79,118	576,069	655,187	83,347	536,401	619,748
Exira Medical Clinic	-	548,365	548,365	-	555,556	555,556
Electrocardiology	10,237	301,752	311,989	27,692	365,344	393,036
Specialty clinics	45	481,228	481,273	1,252	308,096	309,348
Surgery	26,898	377,443	404,341	20,646	371,396	392,042
Anesthesiology	13,492	257,352	270,844	6,045	306,277	312,322
Occupational therapy	69,942	55,535	125,477	63,043	67,463	130,506
Medical and surgical supplies	7,266	145,286	152,552	19,370	116,650	136,020
Respiratory therapy	20,111	45,529	65,640	34,762	74,002	108,764
Blood service	16,367	79,496	95,863	10,319	74,091	84,410
Cardiology	-	51,060	51,060	-	59,524	59,524
Pain Clinic	-	124,375	124,375	-	92,130	92,130
Sleep study	-	58,515	58,515	-	105,980	105,980
Intravenous therapy	19,942	28,457	48,399	20,170	26,644	46,814
Cardiac rehabilitation	-	30,748	30,748	-	33,422	33,422
Speech therapy	6,510	34,917	41,427	7,701	12,150	19,851
Psychiatry	565	-	565	383	-	383
Dietary	-	396	396	-	310	310
	<u>782,780</u>	<u>9,389,089</u>	<u>10,171,869</u>	<u>941,774</u>	<u>9,893,060</u>	<u>10,834,834</u>
<b>Gross Patient Service Revenue</b>	<u>\$ 1,321,528</u>	<u>\$ 12,528,740</u>	<u>13,850,268</u>	<u>\$ 1,510,905</u>	<u>\$ 13,410,851</u>	<u>14,921,756</u>
<b>Deductions from Gross Patient Service Revenue</b>						
Contractual allowances and other deductions, primarily Medicare and Medicaid			(2,119,528)			(3,448,404)
Charity care services and other discounts, based on charges forgone			<u>(8,604)</u>			<u>(19,651)</u>
<b>Net Patient Service Revenue Before Provision for Uncollectible Accounts</b>			11,722,136			11,453,701
<b>Provision for Uncollectible Accounts</b>			<u>(138,468)</u>			<u>(194,763)</u>
<b>Net Patient Service Revenue</b>			<u>\$ 11,583,668</u>			<u>\$ 11,258,938</u>

See Independent Auditor's Report

**Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics  
Schedules of Other Revenues  
Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Other Revenues</b>		
340B drug pricing program income	\$ 561,742	\$ 412,148
Cafeteria meals	17,438	19,021
Grants	78,315	2,412
Loss on sale of capital assets	(4,363)	(7,765)
Other	59,715	26,567
	<u>\$ 712,847</u>	<u>\$ 452,383</u>

**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**Schedules of Operating Expenses**  
**Years Ended June 30, 2020 and 2019**

	2020			2019		
	Salaries and Wages	Other	Total	Salaries and Wages	Other	Total
<b>Nursing Services</b>						
Medical and surgical	\$ 821,647	\$ 96,010	\$ 917,657	\$ 802,183	\$ 64,677	\$ 866,860
Emergency service	427,397	466,534	893,931	498,021	164,490	662,511
Operating room	64,577	265,972	330,549	82,048	215,457	297,505
Nursing administration	101,008	4,675	105,683	85,544	5,234	90,778
	<u>1,414,629</u>	<u>833,191</u>	<u>2,247,820</u>	<u>1,467,796</u>	<u>449,858</u>	<u>1,917,654</u>
<b>Other Professional Services</b>						
Audubon Family Health Care Clinic	902,256	94,599	996,855	936,275	100,780	1,037,055
Pharmacy	134,990	788,114	923,104	128,133	690,905	819,038
Radiology	181,195	363,077	544,272	181,483	456,330	637,813
Laboratory	187,294	389,868	577,162	249,494	311,388	560,882
Exira Medical Clinic	276,630	43,827	320,457	304,067	56,144	360,211
Specialty clinics	312,416	308,438	620,854	287,960	99,547	387,507
Surgery	362,421	12,563	374,984	416,128	8,356	424,484
Medical and surgical supplies	19,808	91,739	111,547	14,285	272,731	287,016
Medical records	138,656	44,371	183,027	163,452	43,605	207,057
Physical therapy	214,860	15,748	230,608	188,310	16,246	204,556
Anesthesiology	-	210,312	210,312	-	226,002	226,002
Respiratory therapy	45,267	10,727	55,994	63,582	6,021	69,603
Cardiology	-	36,296	36,296	-	49,249	49,249
Occupational therapy	-	34,694	34,694	-	35,921	35,921
Sleep study	-	19,600	19,600	-	33,415	33,415
Speech therapy	-	21,243	21,243	-	12,562	12,562
Electrocardiology	1,039	7,074	8,113	1,366	8,867	10,233
Cardiac rehabilitation	7,172	4,735	11,907	6,161	4,255	10,416
Intravenous therapy	-	4,281	4,281	-	4,670	4,670
	<u>2,784,004</u>	<u>2,501,306</u>	<u>5,285,310</u>	<u>2,940,696</u>	<u>2,436,994</u>	<u>5,377,690</u>
<b>General Services</b>						
Plant operation and maintenance	171,384	261,045	432,429	164,456	262,163	426,619
Dietary	134,243	92,900	227,143	147,245	85,209	232,454
Housekeeping	96,565	13,678	110,243	116,761	15,584	132,345
Laundry	16,226	6,530	22,756	8,946	9,860	18,806
	<u>418,418</u>	<u>374,153</u>	<u>792,571</u>	<u>437,408</u>	<u>372,816</u>	<u>810,224</u>
<b>Administrative Services</b>	<u>1,072,075</u>	<u>636,274</u>	<u>1,708,349</u>	<u>1,020,811</u>	<u>743,685</u>	<u>1,764,496</u>
<b>Nondepartmental</b>						
Employee benefits	-	2,423,800	2,423,800	-	2,192,344	2,192,344
Depreciation	-	663,119	663,119	-	698,917	698,917
Insurance	-	78,425	78,425	-	58,217	58,217
	<u>-</u>	<u>3,165,344</u>	<u>3,165,344</u>	<u>-</u>	<u>2,949,478</u>	<u>2,949,478</u>
	<u>\$ 5,689,126</u>	<u>\$ 7,510,268</u>	<u>\$ 13,199,394</u>	<u>\$ 5,866,711</u>	<u>\$ 6,952,831</u>	<u>\$ 12,819,542</u>

See Independent Auditor's Report

**Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics**

**Schedules of Patient Receivables and  
Allowance for Uncollectible Accounts  
Years Ended June 30, 2020 and 2019**

**Schedules of Patient Receivables**

	<b>Amounts</b>		<b>Percent to Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Days Since Discharge				
0 – 30	\$ 1,289,424	\$ 1,294,662	59%	52%
31 – 60	374,690	589,075	17%	24%
61 – 90	81,932	160,720	4%	6%
91 – 120	9,704	16,681	0%	1%
121 and over	447,995	432,247	20%	17%
	<u>2,203,745</u>	<u>2,493,385</u>	<u>100%</u>	<u>100%</u>
Less:				
Contractual allowances	490,040	586,440		
Allowance for uncollectible accounts	<u>451,800</u>	<u>453,400</u>		
	<u>941,840</u>	<u>1,039,840</u>		
	<u><u>\$ 1,261,905</u></u>	<u><u>\$ 1,453,545</u></u>		

**Allowance for Uncollectible Accounts**

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 453,400	\$ 523,000
Provision for year	138,468	194,763
Recoveries of accounts previously written off	<u>89,958</u>	<u>106,612</u>
	681,826	824,375
Less accounts written off	<u>230,026</u>	<u>370,975</u>
Balance, end of year	<u><u>\$ 451,800</u></u>	<u><u>\$ 453,400</u></u>

**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**Schedules of Supplies and Prepaid Expenses**  
**Years Ended June 30, 2020 and 2019**

**Supplies**

	<b>2020</b>	<b>2019</b>
General stores	\$ 122,395	\$ 97,880
Pharmacy	123,506	123,364
Laboratory	<u>20,297</u>	<u>30,520</u>
	<u><u>\$ 266,198</u></u>	<u><u>\$ 251,764</u></u>

**Prepaid Expenses**

	<b>2020</b>	<b>2019</b>
Insurance	\$ 108,022	\$ 97,385
Service contracts	119,721	83,826
Other	<u>90,505</u>	<u>26,748</u>
	<u><u>\$ 318,248</u></u>	<u><u>\$ 207,959</u></u>



## **Other Information**

**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**Schedule of Officials**  
**Year Ended June 30, 2020**

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b>Board of Trustees</b>		
Brett Irlmeier	Chairman	December 31, 2020
Vicky Robinson	Vice Chairman	December 31, 2022
Denise Kilworth	Secretary	December 31, 2022
Marlene Ballou	Treasurer	December 31, 2022
Mark Kessler	Member	December 31, 2022
Michelle Sprague	Member	December 31, 2020
Anne Miller	Member	December 31, 2022
<b>Hospital Officials</b>		
Suzanne Cooner	Chief Executive Officer	
Melinda Alt	Chief Financial Officer	

**Audubon County Memorial Hospital**  
**d/b/a Audubon County Memorial Hospital and Clinics**  
**Schedules of Financial and Statistical Data**  
**Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Patient Days</b>		
Acute	302	318
Swing-bed	<u>337</u>	<u>350</u>
	<u>639</u>	<u>668</u>
<b>Admissions (Acute)</b>	112	124
<b>Discharges (Acute)</b>	112	124
<b>Average Length of Stay in Days (Acute)</b>	2.7	2.6
<b>Beds</b>	17	25
<b>Occupancy percentage (Acute)</b>	4.07%	3.48%
<b>Emergency room visits</b>	1,280	1,296
<b>Specialty clinic visits</b>	4,478	4,243
<b>Exira Medical Clinic encounters</b>	3,757	3,791
<b>Audubon Family Health Care Clinic encounters</b>	6,855	7,755
<b>Number of employees - full-time equivalents</b>	85	88

**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***

**Independent Auditor's Report**

Board of Trustees  
Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics  
Audubon, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics (the Hospital), which comprise the balance sheet as of June 30, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2020.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given the limitations, during our audit we did not identify any deficiencies in internal control that are considered to be a material weakness. We did identify a certain deficiency in internal control as described in the accompanying schedule of findings and responses, as item 2020-001 that we consider to be a significant deficiency.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Hospital'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*.

### ***Compliance with Certain Provisions of Iowa Law***

The following comments about the Hospital's compliance with certain provisions of Iowa law for the year ended June 30, 2020, are based exclusively on knowledge obtained from procedures performed during our independent audit of the financial statements of the Hospital for the year ended June 30, 2020. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily examined. In addition, it should be noted that our audit was not directed primarily toward obtaining knowledge of compliance with the following items. Our procedures do not provide a legal determination on the Hospital's compliance with those requirements.

### ***Official Depository Banks***

A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2020.

### ***Certified Budget***

Budget hearings were held and publications were made in accordance with Chapter 24.9 of the Code of Iowa. Hospital disbursements during the year ended June 30, 2020 did not exceed amounts budgeted.

### ***Questionable Expenditures***

We did not note any questionable expenditures that we believe may constitute an unlawful expenditure from public funds or questionable disbursements that may not meet the public purpose requirements as defined in an Attorney General's opinion dated April 25, 1979.

### ***Travel Expense***

No expenditures of Hospital money for travel expenses of spouses of Hospital officials were noted. Mileage reimbursement was approved for employees not in excess of the IRS allowable limits.

### ***Business Transactions***

We noted no transactions between Hospital and Hospital officials or employees other than those exempted by law; *i.e.*, bankers on the board of trustees.

### ***Trustee Minutes***

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

### ***Deposits and Investments***

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

### ***Unclaimed Property***

The Hospital is required to evaluate the need to file an annual report of unclaimed property report with the state treasurer in accordance with Chapter 556.11 of the Code of Iowa. We noted no instances of non-compliance with this requirement.

### ***Disbursements for Equipment and Supplies***

We did not note any disbursements for equipment or supplies that we believe were not in accordance with Chapter 347.13(3) of the Code of Iowa.

### ***Compensation of Hospital Administrator, Assistants and Employees***

No instances were noted in which compensation for the administrator, assistants or employees was determined other than in accordance with Chapter 347.13(5) of the Code of Iowa.

### ***Internal Revenue Service Information Returns and Outside Services***

We noted no instances where the Hospital failed to properly prepare a Form 1099 for outside services of \$600 or more or failed to properly classify workers as independent contractors versus employees.

### ***Management's Response to Finding***

Management's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### ***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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BKD, LLP*

Kansas City, Missouri  
December 1, 2020

**Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics  
Schedule of Findings and Responses  
Year Ended June 30, 2020**

**Findings Required to be Reported by *Government Auditing Standards***

Reference Number	Finding
2020-001	<p><b><u>Criteria or Specific Requirement</u></b> – Proper segregation of duties ensures an adequate internal control structure.</p> <p><b><u>Condition</u></b> – We identified instances where a lack of segregation of duties exists.</p> <p><b><u>Context</u></b> – Segregation of duties is not appropriate due to the number of employees in the accounting department.</p> <p><b><u>Effect</u></b> – Without proper segregation of duties, a greater risk of fraud and defalcation may exist.</p> <p><b><u>Cause</u></b> – Due to a limited number of administrative personnel, a lack of segregation of duties exists.</p> <p><b><u>Recommendation</u></b> – We recommend the Hospital continue to monitor and improve its segregation of duties.</p> <p><b><u>View of Responsible Officials and Planned Corrective Actions</u></b> – Management is aware of this control deficiency and believes it is economically not feasible for the Hospital to employ additional personnel for the purpose of greater segregation of duties. The Hospital will continue to maintain and improve its segregation of duties.</p>

**Findings Required to be Reported Code of Iowa Finding**

No matters are reportable.

Board of Trustees and Management  
Audubon County Memorial Hospital  
d/b/a Audubon County Memorial Hospital and Clinics  
Audubon, Iowa

In planning and performing our audit of the financial statements of Audubon County Memorial Hospital d/b/a Audubon County Memorial Hospital and Clinics (the Hospital) as of and for the year ended June 30, 2020, 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, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 of the Hospital's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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 observed the following matter that we consider to be a significant deficiency.

### ***Significant Deficiency***

Refer to the 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* – Independent Auditor’s Report.

We observed other matters that are considered deficiencies, which were verbally communicated to management.

### **Other Matters**

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving accounting controls and the financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes and improvements.

### ***New GASB Standards and Projects***

The Governmental Accounting Standards Board (GASB) has issued new standards. While most of the new standards will have minimal impact on the Hospital, we have noted below the standards we believe may have the most impact on the Hospital.

- GASB Statement No. 87, *Leases* – Effective June 30, 2022
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – Effective June 30, 2022
- GASB Revenue and Expense Recognition Project

### ***Current Environment and Implications of COVID-19***

Two significant events occurred in the first quarter of 2020. First, the World Health Organization has characterized the effects of coronavirus as a pandemic. Second, President Donald Trump declared a national emergency related to the coronavirus. These two events caused significant changes to the economy in the short term and most likely will have ongoing impact in the future that is unknown at this time.

In addition, new legislation was enacted by the United States Congress to respond to the overall effect of the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19). The new legislation is unprecedented in scale and scope and includes four bills as of April 28, 2020, which are as follows:

- *Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020*
- *Families First Coronavirus Response Act*
- *Coronavirus Aid, Relief and Economic Security Act (CARES Act)*
- *Paycheck Protection Program and Health Care Enactment Act (PPPHEA)*

The passage of these four laws have a wide sweeping effect on all entities but especially to health care organizations, as they address the impact to their organization in the preparation for the COVID-19 pandemic, treating patients impacted by the COVID-19 pandemic and its' impact on their organization in treating patients not directly infected with COVID-19. Particularly, funds made available under the Public Health and Social Services Emergency Fund and within the Small Business Administration Paycheck Protection Program, both as authorized in the CARES Act, contain specific eligibility requirements and restrictions to be used specifically for preparing for or responding to the coronavirus, including reimbursement for eligible expenses and lost revenues. Management should ensure that the use of these funds is monitored and tracked to ensure program compliance as it is expected these programs will be subject to additional audit and review.

The overall impact of the COVID-19 pandemic and the effect it will have on the economic and specifically the health care environment is unknown at this time due to the uncertainty of the virus and it constantly changing and evolving.

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This communication is intended solely for the information and use of management, the board of trustees and others within the Hospital and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Kansas City, Missouri  
December 1, 2020