



Financial Statements
June 30, 2020 and 2019

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center**

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
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June 30, 2020 and 2019

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Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Board of Trustees and Hospital Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Trustees</u>		
Ronald James	Chairperson	2020
Mary Jo Lacour	Treasurer	2020
Myrna Jakoubek	Secretary	2020
Craig Anderson	Trustee	2020
Amanda McCarty	Trustee	2020
Cheryl Erb	Trustee	2020
Randy Heitz	Trustee	2020
<u>Hospital Officials</u>		
Rodney Nordeng	Chief Executive Officer	
Mike Anderson	Chief Financial Officer	



Independent Auditor's Report

The Board of Trustees
Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Charles City, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Floyd County Memorial Hospital d/b/a Floyd County Medical Center (Hospital) and its component unit, Health Care of Floyd County L.C., which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Floyd County Memorial Hospital d/b/a Floyd County Medical Center, as of June 30, 2020 and 2019, and the changes in its net 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 Management's Discussion and Analysis on pages 4 through 10, the Budgetary Comparison Information on pages 43 and 44, the Schedule of the Hospital's Proportionate Share of the Net Pension Liability, the Schedule of the Hospital's Contributions – Last 10 Fiscal Years, and the Schedule of Changes in the Hospital's OPEB Liability, Related Ratios, and Notes on pages 45 through 48 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

The signature is written in a cursive, handwritten style. It appears to read "Eide Bailly LLP".

Dubuque, Iowa
January 29, 2021

This discussion and analysis of the financial performance of Floyd County Memorial Hospital d/b/a Floyd County Medical Center (Hospital) provides an overall review of the Hospital's financial activities and balances as of and for the years ended June 30, 2020, 2019 and 2018. The intent of this discussion is to provide further information on the Hospital's performance as a whole. We encourage readers to consider the information presented here in conjunction with the Hospital's financial statements, including the notes thereto to enhance their understanding of the Hospital's financial status.

Overview of the Financial Statements

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

The Hospital's financial statements offer short and long-term information about its activities. The statements of net position include all of the Hospital's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital's creditors (liabilities). The statements of net position also provide the basis for evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net position. These statements measure the success of the Hospital's operations over the past year and can be used to determine whether the Hospital has successfully recovered all of its costs through its patient service revenue and other revenue sources. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period.

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

Financial Highlights

The statement of net position and the statement of revenues, expenses, and changes in net position report the net position of the Hospital and the changes in it. The Hospital's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - is a way to measure financial health or financial position. Over time, sustained increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic condition, population growth and new or changed governmental legislation should also be considered.

- The statement of net position at June 30, 2020, indicates total assets of \$30,417,428, total deferred outflows of resources of \$3,100,720, total liabilities of \$18,705,435, total deferred inflows of resources of \$1,892,633, and net position of \$12,920,080. The statement of net position at June 30, 2019, indicates total assets of \$22,352,198, total deferred outflows of resources of \$3,536,788, total liabilities of \$11,795,669, total deferred inflows of resources of \$511,639, and net position of \$13,581,678. The statement of net position at June 30, 2018, indicates total assets of \$22,211,827, total deferred outflows of resources of \$2,971,046, total liabilities of \$11,168,185, total deferred inflows of resources of \$267,108, and net position of \$13,747,580.
- The statement of revenues, expenses, and changes in net position at June 30, 2020 indicates total net patient service revenue of \$28,260,108 decreased 0.004% and total operating expenses of \$31,202,026 increased 4.70% from the previous year, and other operating revenues of \$1,878,883, resulting in an operating loss of \$1,063,035. Net non-operating revenues of \$401,437 brings the change in net position to a decrease of \$661,598. The statement of revenues, expenses, and changes in net position at June 30, 2019 indicates total net patient service revenue of \$28,270,136 increased 3.5% and total operating expenses of \$29,799,007 increased 6.8% from the previous year, and other operating revenues of \$1,212,990, resulting in an operating loss of \$315,881. Net non-operating revenues of \$149,979 brings the change in net position to a decrease of \$165,902. The statement of revenues, expenses, and changes in net position at June 30, 2018 indicates total net patient service revenue of \$27,327,534 increased 7.6% and total operating expenses of \$27,888,985 increased 7.9% from the previous year, and other operating revenues of \$314,526, resulting in an operating loss of \$246,925. Net non-operating revenues of \$118,844 brings the change in net position to a decrease of \$128,081 from the prior year.
- The Hospital's current assets exceeded its current liabilities by \$6,322,259 at June 30, 2020, providing a 1.79 current ratio. The Hospital's current assets exceeded its current liabilities by \$4,202,963 at June 30, 2019, providing a 2.86 current ratio. The Hospital's current assets exceeded its current liabilities by \$4,420,189 at June 30, 2018, providing a 2.95 current ratio.
- Gross outpatient charges decreased 2.97% during fiscal year 2020. Gross outpatient charges increased 9.5% during fiscal year 2019. Gross outpatient charges increased 14.0% during fiscal year 2018.
- Net patient days in accounts receivable continue to be very favorable at 39 days at June 30, 2020. Net patient days in accounts receivable were 52 days at June 30, 2019 Net patient days in accounts receivable were 56 days at June 30, 2018.
- Statistical information for the year ended June 30, 2020:
 - 98 - Surgical Cases (11.71% decrease)
 - 11,514 - Radiology procedures (1.82% decrease)
 - 11,268 - Physical Therapy treatments (9.99% decrease)
 - 4,469 - Emergency Room visits (11.49% decrease)
 - 1,389 - Acute Care patient days (11.38% increase)
- The Hospital's net position increased approximately \$128,000 from June 30, 2019 to June 30, 2020.

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Management's Discussion and Analysis

Condensed Financial Statements
Statements of Net Position

	June 30, 2020	June 30, 2019	June 30, 2018
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	\$ 9,015,373	\$ 849,550	\$ 983,661
Patient receivables, net of estimated uncollectibles	3,021,817	4,004,727	4,142,976
Estimated third-party payor settlements	576,000	337,000	516,000
Other	<u>1,703,271</u>	<u>1,267,754</u>	<u>1,048,907</u>
Total current assets	14,316,461	6,459,031	6,691,544
Assets Limited as to Use or Restricted	6,024,047	5,178,273	4,156,426
Capital Assets, Net	<u>10,076,920</u>	<u>10,714,894</u>	<u>11,363,857</u>
Total assets	30,417,428	22,352,198	22,211,827
Deferred Outflows of Resources	<u>3,100,720</u>	<u>3,536,788</u>	<u>2,971,046</u>
Total assets and deferred outflows of resources	<u><u>\$ 33,518,148</u></u>	<u><u>\$ 25,888,986</u></u>	<u><u>\$ 25,182,873</u></u>

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Management's Discussion and Analysis

Condensed Financial Statements
Statements of Net Position (continued)

	June 30, 2020	June 30, 2019	June 30, 2018
Liabilities, Deferred Inflows of Resources, and Net Position			
Current Liabilities			
Current maturities of long-term debt	\$ 44,616	\$ 205,139	\$ 158,553
Paycheck Protection Program loan, current portion	1,349,778	-	-
Accounts payable			
Trade	556,573	416,950	772,352
Estimated health claims payable	318,000	441,000	489,000
Accrued expenses	1,281,488	1,192,979	851,450
Refundable advance - provider relief funds	4,443,747	-	-
Total current liabilities	<u>7,994,202</u>	<u>2,256,068</u>	<u>2,271,355</u>
Noncurrent Liabilities			
Long-term debt, less current maturities	61,346	83,005	158,552
Paycheck Protection Program loan, less current maturities	1,687,258	-	-
Net pension liability	8,793,425	9,235,909	8,529,136
Net other post-employment benefits	169,204	220,687	209,142
Total noncurrent liabilities	<u>10,711,233</u>	<u>9,539,601</u>	<u>8,896,830</u>
Total liabilities	<u>18,705,435</u>	<u>11,795,669</u>	<u>11,168,185</u>
Deferred Inflows of Resources	<u>1,892,633</u>	<u>511,639</u>	<u>267,108</u>
Net Position			
Net investment in capital assets	10,076,920	10,714,894	11,363,857
Unrestricted	2,843,160	2,866,784	2,383,723
Total net position	<u>12,920,080</u>	<u>13,581,678</u>	<u>13,747,580</u>
Total liabilities and net position	<u>\$ 33,518,148</u>	<u>\$ 25,888,986</u>	<u>\$ 25,182,873</u>

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Management's Discussion and Analysis

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,		
	2020	2019	2018
Operating Revenues			
Net patient service revenue (net of provision for bad debts)	\$ 28,260,108	\$ 28,270,136	\$ 27,327,534
Other operating revenues	1,878,883	1,212,990	314,526
Total Operating Revenues	30,138,991	29,483,126	27,642,060
Operating Expenses			
Salaries and wages	12,476,187	12,457,673	11,305,975
Supplies and other expenses	17,413,031	16,046,055	15,354,513
Depreciation and amortization	1,312,808	1,295,279	1,228,497
Total Operating Expenses	31,202,026	29,799,007	27,888,985
Operating Loss	(1,063,035)	(315,881)	(246,925)
Nonoperating Revenues (Expenses)			
County tax revenue	250,000	-	-
Investment income	142,434	138,387	101,399
Noncapital contributions	62,129	48,475	44,879
Interest expense	-	(368)	-
Income taxes - Aesculapius	(53,126)	(36,515)	(27,434)
Net Nonoperating Revenues	401,437	149,979	118,844
Revenues in Excess of (Less Than) Expenses	(661,598)	(165,902)	(128,081)
Net Position, Beginning of Year, as Previously Stated	13,581,678	13,747,580	14,071,127
Restatement	-	-	(195,466)
Net Position Beginning of Year	13,581,678	13,747,580	13,875,661
Net Position, End of Year	\$ 12,920,080	\$ 13,581,678	\$ 13,747,580

Capital Assets

Significant capital asset activity during the year ended June 30, 2020 included:

- \$ 158,200 – Parking lot improvements
- \$ 157,200 – Omnicell XT conversion
- \$145,400 – Stryker beds

Long-Term Debt

Long-term debt at June 30, 2020 consists of a capitalized lease obligation for the Hospital's telephone system.

Economic and Other Factors and Next Year's Budget

The Hospital's Board and management considered many factors when preparing the fiscal year 2021 budget. Of primary consideration in the 2021 budget are the unknowns of healthcare reform and the continued difficulty in the status of the economy.

Items listed below were also considered:

- Medicare and Medicaid reimbursement rates
- COVID-19 impact on short-term and long-term volumes and relief repayment timelines
- Transformation of delivery approaches driven by the COVID-19 experience
- Managed care contracts
- Increase in self-pay accounts receivable due to uninsured and underinsured
- Medicaid Expansion impacts on payor mix changes
- Increased expectations for quality at a lower price
- Salary and benefit costs
- Surging drug costs
- Energy costs
- Patient safety initiatives
- Monitoring pay-for-performance and quality indicators
- Technology advances
- Continued medical staff success
- Lower return on investments
- Medical staff recruitment

Summary

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

Contacting the Hospital's Finance Department

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

Floyd County Medical Center
800 11th Street
Charles City, Iowa 50616

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Statements of Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 9,015,373	\$ 849,550
Receivables		
Patient, net of estimated uncollectibles		
of \$1,559,000 in 2020 and \$1,941,000 in 2019	3,021,817	4,004,727
Succeeding year property tax	500,000	-
Estimated third-party payor settlements	576,000	337,000
Reinsurance on health claims	60,000	137,000
Other	524,698	453,930
Supplies	548,089	551,279
Prepaid expense	<u>70,484</u>	<u>125,545</u>
Total current assets	<u>14,316,461</u>	<u>6,459,031</u>
Assets Limited as to Use or Restricted		
Investments		
Internally designated for capital and other expenditures	<u>6,024,047</u>	<u>5,178,273</u>
Capital Assets		
Capital assets not being depreciated	28,703	38,248
Depreciable capital assets, net of accumulated depreciation	<u>10,048,217</u>	<u>10,676,646</u>
Total capital assets, net	<u>10,076,920</u>	<u>10,714,894</u>
Total assets	<u>30,417,428</u>	<u>22,352,198</u>
Deferred Outflows of Resources		
Workforce in place - clinic acquisition, net	83,589	119,413
Pension related deferred outflows	3,008,297	3,417,375
OPEB related deferred outflows	<u>8,834</u>	<u>-</u>
Total deferred outflows of resources	<u>3,100,720</u>	<u>3,536,788</u>
Total assets and deferred outflows of resources	<u><u>\$ 33,518,148</u></u>	<u><u>\$ 25,888,986</u></u>

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Statements of Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 44,616	\$ 205,139
Paycheck Protection Program loan, current portion	1,349,778	-
Accounts payable		
Trade	556,573	416,950
Estimated health claims payable	318,000	441,000
Accrued expenses		
Salaries and wages	326,768	272,713
Vacation	705,341	660,308
Payroll taxes and other	249,379	259,958
Refundable advance - provider relief funds	4,443,747	-
Total current liabilities	7,994,202	2,256,068
Noncurrent Liabilities		
Long-term debt, less current maturities	61,346	83,005
Paycheck Protection Program loan, less current maturities	1,687,258	-
Net pension liability	8,793,425	9,235,909
Net other post-employment benefit liability	169,204	220,687
Total liabilities	18,705,435	11,795,669
Deferred Inflows of Resources		
Pension related deferred inflows	1,322,977	511,639
OPEB related deferred inflows	69,656	-
Deferred revenue for succeeding year property tax receivable	500,000	-
Total deferred inflows of resources	1,892,633	511,639
Net Position		
Net investment in capital assets	10,076,920	10,714,894
Unrestricted	2,843,160	2,866,784
Total net position	12,920,080	13,581,678
Total liabilities, deferred inflows of resources, and net position	<u>\$ 33,518,148</u>	<u>\$ 25,888,986</u>

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Net patient service revenue (net of provision for bad debts of \$2,075,402 in 2020 and \$1,468,813 in 2019)	\$ 28,260,108	\$ 28,270,136
Other operating revenues	<u>1,878,883</u>	<u>1,212,990</u>
Total operating revenues	<u>30,138,991</u>	<u>29,483,126</u>
Operating Expenses		
Salaries and wages	12,476,187	12,457,673
Employee benefits	5,847,078	5,160,781
Supplies and other expenses	11,565,953	10,885,274
Depreciation and amortization	<u>1,312,808</u>	<u>1,295,279</u>
Total operating expenses	<u>31,202,026</u>	<u>29,799,007</u>
Operating Loss	<u>(1,063,035)</u>	<u>(315,881)</u>
Nonoperating Revenues (Expenses)		
County tax revenue	250,000	-
Investment income	142,434	138,387
Noncapital contributions	62,129	48,475
Interest expense	-	(368)
Income taxes - Aesculapius	<u>(53,126)</u>	<u>(36,515)</u>
Net nonoperating revenues	<u>401,437</u>	<u>149,979</u>
Revenues in Excess of (Less Than) Expenses	(661,598)	(165,902)
Net Position, Beginning of Year	<u>13,581,678</u>	<u>13,747,580</u>
Net Position, End of Year	<u><u>\$ 12,920,080</u></u>	<u><u>\$ 13,581,678</u></u>

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 29,004,018	\$ 28,587,385
Payments to and on behalf of employees	(17,570,485)	(16,963,642)
Payments to suppliers and contractors	(11,292,767)	(11,167,401)
Other receipts and payments, net	<u>1,824,401</u>	<u>993,880</u>
Net Cash from (used for) Operating Activities	<u>1,965,167</u>	<u>1,450,222</u>
Noncapital Financing Activities		
County tax revenue received	250,000	-
Provider relief funds	4,434,172	-
Proceeds from Paycheck Protection Program loan	3,037,036	-
Income taxes - Aesculapius	(8,851)	(36,515)
Noncapital contributions	<u>62,129</u>	<u>48,475</u>
Net Cash from (used for) Noncapital Financing Activities	<u>7,774,486</u>	<u>11,960</u>
Capital and Capital Related Financing Activities		
Purchase of capital assets	(698,330)	(552,705)
Payment of interest on debt	-	(368)
Payments on long-term debt	(182,182)	(162,085)
Proceeds from sale of capital assets	<u>447</u>	<u>2,325</u>
Net Cash from (used for) Capital and Capital Related Financing Activities	<u>(880,065)</u>	<u>(712,833)</u>
Investing Activities		
Purchase of noncurrent investments	(1,615,853)	-
Investment income	<u>142,434</u>	<u>138,387</u>
Net Cash from (used for) Investing Activities	<u>(1,473,419)</u>	<u>138,387</u>
Net Change in Cash and Cash Equivalents	7,386,169	887,736
Cash and Cash Equivalents at Beginning of Year	<u>6,027,823</u>	<u>5,140,087</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 13,413,992</u></u>	<u><u>\$ 6,027,823</u></u>

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents in current assets	\$ 9,015,373	\$ 849,550
Cash and cash equivalents included in assets limited as to use or restricted	<u>4,408,194</u>	<u>5,178,273</u>
Total cash and cash equivalents	<u><u>\$ 13,423,567</u></u>	<u><u>\$ 6,027,823</u></u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities		
Operating income (loss)	\$ (1,063,035)	\$ (315,881)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities		
Depreciation and amortization	1,312,808	1,295,279
Amortization of intangible assets, net and workforce in place - clinic acquisition, net	59,587	59,587
Loss on disposal of capital assets	16,286	13,425
Provision for bad debts	2,075,402	1,468,813
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources		
Receivables	(1,086,260)	(1,499,099)
Estimated third-party payor settlements	(239,000)	179,000
Supplies	3,190	5,173
Prepaid expense	55,061	(55,485)
Trade accounts payable	78,348	(355,402)
Estimated health claims payable	(123,000)	(48,000)
Accrued expenses	88,509	341,529
Net pension liability	(442,484)	706,773
Net other post-employment benefit liability	(51,483)	11,545
Deferred outflows of resources	400,244	(601,566)
Deferred inflows of resources	<u>880,994</u>	<u>244,531</u>
Net Cash from (used for) Operating Activities	<u><u>\$ 1,965,167</u></u>	<u><u>\$ 1,450,222</u></u>
Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities		
Accounts payable for construction and equipment	<u>\$ 17,000</u>	<u>\$ -</u>
Equipment financed through capital lease arrangements	<u>\$ -</u>	<u>\$ 133,124</u>

Note 1 - Organization and Significant Accounting Policies

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

Reporting Entity

The Hospital is a 25-bed public Hospital, located in Charles City, Iowa, is a critical access hospital organized under Chapter 347 of the Iowa Code and governed by a seven-member board of trustees. The Hospital and Health Care of Floyd County L.C. (HCFC) are collectively referred to as the Organization. The Organization primarily earns revenues by providing healthcare services to patients on an inpatient and outpatient basis.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens to the Hospital.

Blended Component Unit

Health Care of Floyd County L.C. (HCFC) is a blended component unit of the Hospital. HCFC was a legally separate limited liability corporation that was, in substance, a part of the Hospital's operations and governed by the Hospital board. It was organized primarily to hold certain assets for the Hospital. HCFC owned 100% of the shares of a corporation (Aesculapius, Inc.), whose earnings and losses are included in the financial statements. As of January 1, 2020, the corporation was dissolved and all remaining assets were transferred to the Hospital, which was sole corporate owner.

Data of HCFC is combined with data of the Hospital for financial reporting purposes using the blending method. Transactions between the Hospital and HCFC are eliminated in preparation of the financial statements.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

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

Net investment in capital assets consists of capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

Restricted net position:

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.

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

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

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use or restricted. For purposes of the statements of cash flows, the Hospital considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Patient Receivables

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

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rate (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Hospital's process for calculating the allowance for doubtful accounts for self-pay patients has not significantly changed from June 30, 2019 to June 30, 2020. The Hospital does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors. The Hospital has not significantly changed its charity care or uninsured discount policies during fiscal years 2019 and 2020.

Property Tax Receivable

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

Property tax revenue recognized by the Hospital becomes due and collectible in September and March of the fiscal year; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020, and reflects the tax asking contained in the budget certified by the County Auditor in March 2019.

Supplies

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

Assets Limited as to Use or Restricted

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

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

Investment Income

Interest, dividends, and gains and losses on deposits and investments are included in nonoperating revenue when earned.

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.

Other Post-Employment Benefits Liability

For purposes of measuring the other post-employment benefits (OPEB) liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Hospital's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

Capital Assets

Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment.

The estimated useful lives of capital assets are as follows:

Land improvements	15-20 years
Buildings, improvements, and fixed equipment	20-40 years
Major moveable equipment, computers and furniture	3-7 years

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

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The Hospital's 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, as well as unrecognized items not yet charged to Other Post-Employment Benefits (OPEB) expense. It also includes amounts paid for workforce in place related to acquisition of a clinic, net of accumulated amortization.

Compensated Absences

The Hospital's employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The cost of projected vacation payouts is recorded as a current liability on the statement of net position based on pay rates that are in effect at June 30, 2020 and 2019.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Hospital's 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, the unamortized portion of net difference between projected and actual earnings on pension plan investments, and the unamortized portion of changes in assumptions related to the OPEB liability.

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Hospital result from exchange transactions associated with providing healthcare services – the Hospital's principal activity and the costs of providing those services, including depreciation. All other revenues and expenses are reported as nonoperating.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated.

On the basis of historical experience, a certain portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. As a result, the Hospital records a provision for bad debts related to uninsured patients in the period the services are provided.

Charity Care and Community Benefits

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amounts of charges foregone for services provided under the Hospital's charity care policy were approximately \$72,000 and \$171,000, for the years ended June 30, 2020 and 2019. Total direct and indirect costs related to these foregone charges were \$38,000 and \$88,000 at June 30, 2020 and 2019, based on an average ratio of cost to gross charges.

Grants and Contributions

The Hospital may receive grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after revenues in excess of (less than) expenses.

Advertising Costs

Costs incurred for producing and distributing advertising are expensed as incurred. The Hospital incurred \$82,826 and \$104,920 for advertising costs for the years ended June 30, 2020 and 2019.

Note 2 - Net Patient Service Revenue

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

Medicare: The Hospital is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most inpatient and outpatient services at cost plus 1%, less 2% sequestration, with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2018. Clinical services are paid on a cost basis or a fixed fee schedule.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries not covered under Medicaid Managed Care Organization Contracts are paid on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been processed through the year ended June 30, 2017. Also, inpatient, outpatient and clinical services rendered to Medicaid program beneficiaries who are covered under Medicaid Managed Care Organization contracts are paid primarily based on a prospective payment methodology.

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

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital's patient service revenues for the years ended June 30, 2020 and 2019:

	2020	2019
Medicare, including Medicare Managed Care	50%	50%
Medicaid, including Medicaid Managed Care	18%	17%
Blue Cross	19%	20%
Other commercial insurance	11%	11%
Self pay	2%	2%
	<u>100%</u>	<u>100%</u>

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient service revenue for the year ended June 30, 2020 increased approximately \$45,000 and decreased approximately \$25,000 for the year ended June 30, 2019, due to removal of allowances previously estimated that are no longer necessary as a result of final settlements, adjustments to amounts previously estimated and years that are no longer likely subject to audits, reviews, and investigations.

Note 3 - Deposits and Investments

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.

The Hospital is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district. The Hospital had limited or no investments in partnerships at June 30, 2020 and 2019.

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

At June 30, 2020 and 2019 the Organization's carrying amounts of deposits and investments are as follows:

	<u>2020</u>	<u>2019</u>
Checking and savings accounts	\$ 13,423,567	\$ 4,435,092
Certificates of deposits	<u>1,615,853</u>	<u>1,592,731</u>
	<u>\$ 15,039,420</u>	<u>\$ 6,027,823</u>

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 9,015,373	\$ 849,550
Assets limited as to use or restricted	<u>6,024,047</u>	<u>5,178,273</u>
	<u>\$ 15,039,420</u>	<u>\$ 6,027,823</u>

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Notes to Financial Statements
June 30, 2020 and 2019

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

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

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

Note 4 - Capital Assets

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

	June 30, 2019 Balance	Additions	Transfers and Retirements	June 30, 2020 Balance
Capital Assets Not Being Depreciated				
Land	\$ 32,203	\$ -	\$ (3,500)	\$ 28,703
Construction in progress	6,045	56,583	(62,628)	-
Total capital assets not being depreciated	<u>38,248</u>	<u>\$ 56,583</u>	<u>\$ (66,128)</u>	<u>28,703</u>
Capital Assets Being Depreciated				
Land improvements	584,486	\$ 158,195	\$ (10,780)	731,901
Buildings and improvements	19,746,173	80,574	(1,073,184)	18,753,563
Equipment	10,322,988	445,922	(929,982)	9,838,928
Intangibles - medical records	118,815	-	-	118,815
Total capital assets being depreciated	<u>30,772,462</u>	<u>\$ 684,691</u>	<u>\$ (2,013,946)</u>	<u>29,443,207</u>
Less Accumulated Depreciation for				
Land improvements	\$ 407,090	\$ 26,742	\$ (13,132)	420,700
Buildings and improvements	11,473,641	724,058	(1,106,713)	11,090,986
Equipment	8,175,480	562,009	(917,553)	7,819,936
Intangibles - medical records	39,605	23,763	-	63,368
Total accumulated depreciation	<u>20,095,816</u>	<u>\$ 1,336,572</u>	<u>\$ (2,037,398)</u>	<u>19,394,990</u>
Total Capital Assets Being Depreciated, Net	<u>10,676,646</u>			<u>10,048,217</u>
Total Capital Assets, Net	<u>\$ 10,714,894</u>			<u>\$ 10,076,920</u>

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Notes to Financial Statements
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	June 30, 2018 Balance	Additions	Transfers and Retirements	June 30, 2019 Balance
Capital Assets Not Being Depreciated				
Land	\$ 32,203	\$ -	\$ -	\$ 32,203
Construction in progress	6,045	-	-	6,045
Total capital assets not being depreciated	<u>38,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>38,248</u>
Capital Assets Being Depreciated				
Land improvements	584,486	\$ -	\$ -	584,486
Buildings and improvements	19,681,633	129,472	(64,932)	19,746,173
Equipment	9,899,137	556,357	(132,506)	10,322,988
Intangibles - medical records	118,815	-	-	118,815
Total capital assets being depreciated	<u>\$ 30,284,071</u>	<u>\$ 685,829</u>	<u>\$ (197,438)</u>	<u>\$ 30,772,462</u>
Less Accumulated Depreciation for				
Land improvements	384,309	\$ 22,781	\$ -	407,090
Buildings and improvements	10,806,421	719,620	(52,400)	11,473,641
Equipment	7,751,890	552,879	(129,289)	8,175,480
Intangibles - medical records	15,842	23,763	-	39,605
Total accumulated depreciation	<u>18,958,462</u>	<u>1,319,043</u>	<u>(181,689)</u>	<u>20,095,816</u>
Total Capital Assets Being Depreciated, Net	<u>11,325,609</u>			<u>10,676,646</u>
Total Capital Assets, Net	<u>\$ 11,363,857</u>			<u>\$ 10,714,894</u>

Note 5 - Deferred Outflows of Resources Related to Clinic Acquisition

During the year ended June 30, 2018, the Hospital purchased assets and acquired the operations of a physician clinic. Following are the deferred outflows of resources associated with that transaction:

	2020	2019
Workforce in Place		
Cost	\$ 179,120	\$ 179,120
Accumulated amortization	(95,531)	(59,707)
	<u>\$ 83,589</u>	<u>\$ 119,413</u>

Note 6 - Provider Relief Funds

The Hospital received \$4,394,286 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS). The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost patient care margin that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has a deadline to incur eligible expenses of June 30, 2021. Unspent funds will be expected to be repaid.

The Hospital also received \$49,461 through the Paycheck Protection Program and Health Care Enhancement Act (PPHCEA) for its rural health clinics to conduct COVID-19 testing. This funding may only be used for conducting COVID-19 testing and related expenses, including building or construction of temporary structures, leasing of properties, and retrofitting facilities as necessary to support COVID-19 testing.

These funds are considered subsidies and recorded as a liability when received and are recognized as revenues in the accompanying statements of revenues, expenses, and changes in net position as all terms and conditions are considered met. As these funds are considered subsidies, they are considered nonoperating activities. The terms and conditions are subject to interpretation, changes and future clarification, the most recent of which have been considered through the date that the financial statements were available to be issued. In addition, this program may be subject to oversight, monitoring and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

As of June 30, 2020, the Hospital reported all funds as a liability of \$4,443,747, which was included in current liabilities on the accompanying statement of financial position.

Note 7 - Pension Plan

Plan Description - Iowa Public Employees' Retirement System (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 Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55.

The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except for members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

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

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

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

In fiscal years 2020 and 2019, pursuant to the required rate, regular members contributed 6.29% of covered payroll and the Hospital contributed 9.44% of covered payroll for a total rate of 15.73%.

The Hospital's contributions to IPERS for the year ended June 30, 2020, 2019 and 2018 were \$1,095,253, \$1,091,156 and \$985,602.

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 \$8,793,425 and \$9,235,909 for its proportionate share of the net pension liability. The Hospital's 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 to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the Hospital's collective proportion was 0.151855%, which was an increase of 0.005908% from its proportion measured as of June 30, 2018 of 0.145947%.

For the years ended June 30, 2020 and 2019, the Hospital recognized pension expense of \$1,876,352 and \$1,445,945. 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:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,378	\$ 316,166	\$ 50,639	\$ 208,746
Change estimated uncollectibles	941,902	-	1,317,560	-
Net difference between projected and actual earnings on pension plan investments	-	990,914	-	253,774
Changes in proportion and differences between health center contributions and proportionate share of contributions	946,765	15,897	958,020	49,119
Health center contributions subsequent to the measurement date	<u>1,095,252</u>	<u>-</u>	<u>1,091,156</u>	<u>-</u>
Total	<u>\$ 3,008,297</u>	<u>\$ 1,322,977</u>	<u>\$ 3,417,375</u>	<u>\$ 511,639</u>

The \$1,095,252 in 2020 and \$1,091,156 in 2019 reported as deferred outflows of resources related to pensions resulting from the Hospital's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2021 and 2020.

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

Years Ended June 30,	2020	2019
2020	\$ -	\$ 838,555
2021	465,932	555,492
2022	74,284	176,762
2023	99,214	199,570
2024	(56,493)	44,201
2025	7,131	-
	\$ 590,068	\$ 1,814,580

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum
Salary increases (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 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges 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	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22%	5.60%
International equity	15%	6.08%
Global smat beta equity	3%	5.82%
Core-plus fixed income	27%	1.71%
Public credit	4%	3.32%
Publish real assets	7%	2.81%
Cash	1%	-0.21%
Private equity	11%	10.13%
Private real assets	7%	4.76%
Private credit	3%	3.01%
	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Hospital will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 7.00%, 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% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Health Center's proportionate share of the net pension liability at June 30, 2020	\$ 15,614,284	\$ 8,793,425	\$ 3,072,163
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Health Center's proportionate share of the net pension liability at June 30, 2019	\$ 15,675,193	\$ 9,235,909	\$ 3,834,306

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2020 and 2019, the Hospital reported payables to the defined benefit pension plan of \$115,993 and \$115,688 for legally required employer contributions and \$55,413 and \$58,437 for legally required employee contributions which had been withheld from employee wages not yet remitted to IPERS.

Note 8 - Other Post-Employment Benefits (OPEB)

Plan Description – The Hospital operates a single-employer retiree benefit plan which provides medical, prescription drug, and dental benefits to retired employees and their dependents under certain conditions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the Hospital and are eligible to participate in the group health plan (Plan) are eligible to continue healthcare benefits upon retirement from service with the Hospital. Retirees under age 65 pay the same premium as active employees for the medical, prescription drug, and dental 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 January 1, 2020 and 2019, the following employees were covered by the benefit terms:

	2020	2019
Inactive members currently receiving benefits	-	1
Inactive members entitled to but not yet receiving benefits	-	-
Active employees	198	199
Total	198	200

OPEB Liability – The Hospital's total OPEB liability of \$169,204 recorded as of June 30, 2020 and \$220,687 recorded as of June 30, 2019 were determined by actuarial valuations as of January 1, 2020 and 2018, respectively.

Actuarial Assumptions – The OPEB liability in the June 30, 2020 actuarial valuation were determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2020)	3.00% per annum.
Rate of salary increase (effective June 30, 2018)	3.00% per annum, including inflation.
Discount rate (effective January 1, 2020)	2.74% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	5.00%, per annum.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.74%, 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 annuitant distinct mortality table adjusted to 2006 with MP-2019 generational projection of future mortality improvement.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Change in the Total OPEB Liability

	2020	2019
Total OPEB Liability, Beginning of Year	\$ 220,687	\$ 209,142
Changes for the Year		
Service cost	11,657	12,613
Interest	4,529	7,482
Difference between expected and actual experience	(76,046)	-
Changes in assumptions	9,644	-
Benefit payments	(1,267)	(8,550)
Net changes	(51,483)	11,545
Total OPEB Liability, End of Year	\$ 169,204	\$ 220,687

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% lower (1.74% for 2020 and 2.44% for 2019) or 1% higher (3.74% for 2020 and 4.44% for 2019) than the current discount rate.

	1% Decrease (1.74%)	Discount Rate (2.74%)	1% Increase (3.74%)
Total OPEB liability as of June 30, 2020	\$ 182,468	\$ 169,204	\$ 156,679
	1% Decrease (2.44%)	Discount Rate (3.44%)	1% Increase (4.44%)
Total OPEB Liability as of June 30, 2019	\$ 236,897	\$ 220,687	\$ 205,542

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% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

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	<u>1% Decrease (4.00%)</u>	<u>Healthcare Cost Trend Rate (5.00%)</u>	<u>1% Increase (6.00%)</u>
Total OPEB liability as of June 30, 2020	\$ 150,036	\$ 169,204	\$ 191,802
	<u>1% Decrease (4.00%)</u>	<u>Healthcare Cost Trend Rate (5.00%)</u>	<u>1% Increase (6.00%)</u>
Total OPEB Liability as of June 30, 2019	\$ 198,574	\$ 220,687	\$ 246,667

OPEB Expense and Deferred Outflows of Resources Related to OPEB Liability – For the years ended June 30, 2020 and 2019, the Hospital recognized OPEB expense of \$10,606 and \$20,095. As of June 30, 2020, there were deferred outflows of resources of \$8,834 and deferred inflows of resources of \$69,656. There were no deferred inflows our outflows related to OPEB at June 30, 2019.

	<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 69,656
Changes in assumptions	<u>8,834</u>	<u>-</u>
Total	<u>\$ 8,834</u>	<u>\$ 69,656</u>

Deferred outflows and inflows of resources will be amortized as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2021	\$ (5,580)
2022	(5,580)
2023	(5,580)
2024	(5,580)
2025	(5,580)
Thereafter	<u>(32,922)</u>
	<u>\$ (60,822)</u>

Note 9 - Lease Obligations

The Hospital leases certain equipment under noncancelable long-term lease agreements. Certain leases have been recorded as capitalized leases and others as operating leases. Total lease expense for all operating leases for the years ended June 30, 2020 and 2019 was \$184,687 and \$316,430.

The capitalized leased assets consist of:

	2020	2019
Major Movable Equipment	\$ 133,124	\$ 133,124
Less accumulated amortization	(16,641)	(3,328)
	<u>\$ 116,483</u>	<u>\$ 129,796</u>

Minimum future lease payments for the leases are as follows:

Year Ending June 30,	Capital Leases	Operating Leases
2021	\$ 46,810	\$ 161,784
2022	61,965	161,784
2023	-	111,202
Total minimum lease payments	<u>108,775</u>	<u>\$ 434,770</u>
Less interest	<u>(2,813)</u>	
Present value of minimum lease payments - Note 10	<u>\$ 105,962</u>	

Note 10 - Long-Term Debt

A schedule of changes in the Hospital's long-term debt for 2020 and 2019 is as follows:

	June 30, 2019 Balance	Additions	Payments	June 30, 2020 Balance	Amounts Due Within One Year
Note Payable to Charles City Family Health Center	\$ 158,553	\$ -	\$ 158,553	\$ -	\$ -
Capitalized Lease Obligation	<u>129,591</u>	<u>-</u>	<u>23,629</u>	<u>105,962</u>	<u>44,616</u>
	<u>\$ 288,144</u>	<u>\$ -</u>	<u>\$ 182,182</u>	<u>105,962</u> <u>(44,616)</u>	<u>\$ 44,616</u>
Less Current Maturities				<u>(44,616)</u>	
Long-Term Debt, Less Current Maturities				<u>\$ 61,346</u>	

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	June 30, 2018 Balance	Additions	Payments	June 30, 2019 Balance	Amounts Due Within One Year
Note Payable to Charles City Family Health Center	\$ 317,105	\$ -	\$ 158,552	\$ 158,553	\$ 158,553
Capitalized Lease Obligation	-	133,124	3,533	129,591	46,586
	<u>\$ 317,105</u>	<u>\$ 133,124</u>	<u>\$ 162,085</u>	288,144 (205,139)	<u>\$ 205,139</u>
Less Current Maturities					
Long-Term Debt, Less Current Maturities				<u>\$ 83,005</u>	

Aggregate future payments of principal and interest on long-term debt are as follows:

Years Ending June 30,	Principal	Interest	Total
2021	\$ 44,616	\$ 2,194	\$ 46,810
2022	61,346	619	61,965
	<u>\$ 105,962</u>	<u>\$ 2,813</u>	<u>\$ 108,775</u>

Note payable represented the remaining amounts owed to the prior owners of Charles City Family Health Center, P.C. relating to its purchase during the year ended June 30, 2018. There was no interest charged on this note payable.

Note 11 - Paycheck Protection Program Loan

In April 2020, the Hospital was granted a \$3,037,036 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Hospital is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Hospital has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended June 30, 2020. The Hospital will be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

Note 12 - Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2020 and 2019 was as follows:

	2020	2019
Medicare, including Medicare Managed Care	31%	31%
Medicaid, including Medicaid Managed Care	14%	12%
Blue Cross	14%	14%
Other commercial insurance	9%	8%
Self pay	32%	35%
	<u>100%</u>	<u>100%</u>

Note 13 - Contingencies

Risk Management

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

Malpractice Insurance

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

Excess Liability Umbrella Insurance

The Hospital also has excess liability umbrella coverage subject to a limit of \$3 million per occurrence and an annual aggregate limit of \$3 million.

Litigation, Claims, and Disputes

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

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

Self-Funded Health Plan

The Hospital is self-funded for health benefits for eligible employees and their dependents. The Hospital, in connection with this plan, recognizes health benefit expenses on an accrual basis. An accrued liability is recorded at year-end which estimates the incurred but not reported claims that will be paid by the Hospital. The Hospital has stop loss insurance to cover catastrophic claims in excess of \$60,000 per claim.

The Hospital expenses amounts representing the employer's portion of actual claims paid, adjusted for the estimate of liabilities relating to claims resulted from services provided prior to the fiscal year end not to exceed the annual aggregate expense. The estimated liability is included in estimated health claims payable in the financial statements. These amounts have been estimated based on historical trends. Changes in the balance of claims liabilities during the past two years are as follows:

<u>Year</u>	<u>Beginning Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2020	\$ 441,000	\$ 2,825,114	\$ (2,948,114)	\$ 318,000
2019	\$ 489,000	\$ 2,590,394	\$ (2,638,394)	\$ 441,000

The Hospital has also recorded estimated reinsurance receivable of \$60,000 and \$137,000 as of June 30, 2020 and 2019.

COVID-19 Pandemic

During 2020, the world-wide coronavirus pandemic impacted national and global economies. The Hospital is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Hospital is not known.

Note 14 - Condensed Financial Statements

The following tables include condensed information for the Hospital and HCFC, a blended component unit described in Note 1, as of June 30, 2020 and 2019.

Condensed Statements of Net Position

	June 30, 2020			
	Hospital	HCFC	Eliminations	Combined
Assets and Deferred Outflows of Resources				
Current assets	\$ 14,316,461	\$ -	\$ -	\$ 14,316,461
Assets limited as to use or restricted	6,024,047	-	-	6,024,047
Capital assets, net	10,076,920	-	-	10,076,920
Total assets	30,417,428	-	-	30,417,428
Deferred Outflows of Resources	3,100,720	-	-	3,100,720
Total assets and deferred outflows of resources	<u>\$ 33,518,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,518,148</u>
Liabilities, Deferred Inflows of Resources, and Net Position				
Current liabilities	\$ 7,994,202	\$ -	\$ -	\$ 7,994,202
Long-term debt, less current maturities	61,346	-	-	61,346
Paycheck Protection Program (PPP) Loan	1,687,258	-	-	1,687,258
Net pension liability	8,793,425	-	-	8,793,425
Net other post-employment benefit liability	169,204	-	-	169,204
Total liabilities	18,705,435	-	-	18,705,435
Deferred Inflows of Resources	1,892,633	-	-	1,892,633
Net Position				
Net investment in capital assets	10,076,920	-	-	10,076,920
Unrestricted	2,843,160	-	-	2,843,160
Total net position	12,920,080	-	-	12,920,080
Total liabilities, deferred inflows of resources, and net position	<u>\$ 33,518,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,518,148</u>

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Notes to Financial Statements
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	June 30, 2019			
	Hospital	HCFC	Eliminations	Combined
Assets and Deferred Outflows of Resources				
Current assets	\$ 6,010,948	\$ 448,083	\$ -	\$ 6,459,031
Assets limited as to use or restricted	5,178,273	-	-	5,178,273
Capital assets, net	10,219,817	495,077	-	10,714,894
Other assets	943,160	-	(943,160)	-
Total assets	22,352,198	943,160	(943,160)	22,352,198
Deferred Outflows of Resources	3,536,788	-	-	3,536,788
Total assets and deferred outflows of resources	<u>\$ 25,888,986</u>	<u>\$ 943,160</u>	<u>\$ (943,160)</u>	<u>\$ 25,888,986</u>
Liabilities, Deferred Inflows of Resources, and Net Position				
Current liabilities	\$ 2,256,068	\$ -	\$ -	\$ 2,256,068
Long-term debt, less current maturities	83,005	-	-	83,005
Net pension liability	9,235,909	-	-	9,235,909
Net other post-employment benefit liability	220,687	-	-	220,687
Total liabilities	11,795,669	-	-	11,795,669
Deferred Inflows of Resources				
Pension related deferred inflows	511,639	-	-	511,639
Net Position				
Net investment in capital assets	10,219,817	495,077	-	10,714,894
Unrestricted	3,361,861	448,083	(943,160)	2,866,784
Total net position	13,581,678	943,160	(943,160)	13,581,678
Total liabilities, deferred inflows of resources, and net position	<u>\$ 25,888,986</u>	<u>\$ 943,160</u>	<u>\$ (943,160)</u>	<u>\$ 25,888,986</u>

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

Condensed Statements of Revenues, Expenses and Changes in Net Position

	June 30, 2020			
	Hospital	HCFC	Eliminations	Combined
Operating Revenues				
Net patient service revenue				
(net of provision for bad debts)	\$ 28,260,108	\$ -	\$ -	\$ 28,260,108
Other operating revenues	1,878,536	36,041	(35,694)	1,878,883
Total operating revenues	30,138,644	36,041	(35,694)	30,138,991
Operating Expenses				
Other operating expenses	29,901,093	23,819	(35,694)	29,889,218
Depreciation and amortization	1,299,072	13,736	-	1,312,808
Total operating expenses	31,200,165	37,555	(35,694)	31,202,026
Operating Income (Loss)	(1,061,521)	(1,514)	-	(1,063,035)
Nonoperating Revenues (Expenses)				
County tax revenue	250,000	-	-	250,000
Investment income	87,794	-	54,640	142,434
Noncapital contributions	62,129	-	-	62,129
Income taxes - Aesculapius	-	(53,126)	-	(53,126)
Net nonoperating revenues (expenses)	399,923	(53,126)	54,640	401,437
Revenues in Excess of (Less Than) Expenses	(661,598)	(54,640)	54,640	(661,598)
Dividends paid	-	(888,520)	888,520	-
Change in Net Position	(661,598)	(943,160)	943,160	(661,598)
Net Position, Beginning of Year	13,581,678	943,160	(943,160)	13,581,678
Net Position, End of Year	<u>\$ 12,920,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,920,080</u>

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Notes to Financial Statements
June 30, 2020 and 2019

	June 30, 2019			
	Hospital	HCFC	Eliminations	Combined
Operating Revenues				
Net patient service revenue (net of provision for bad debts)	\$ 28,270,136	\$ -	\$ -	\$ 28,270,136
Other operating revenues	<u>1,212,311</u>	<u>214,840</u>	<u>(214,161)</u>	<u>1,212,990</u>
Total operating revenues	<u>29,482,447</u>	<u>214,840</u>	<u>(214,161)</u>	<u>29,483,126</u>
Operating Expenses				
Other operating expenses	28,671,968	45,921	(214,161)	28,503,728
Depreciation and amortization	<u>1,269,370</u>	<u>25,909</u>	<u>-</u>	<u>1,295,279</u>
Total operating expenses	<u>29,941,338</u>	<u>71,830</u>	<u>(214,161)</u>	<u>29,799,007</u>
Operating Income (Loss)	<u>(458,891)</u>	<u>143,010</u>	<u>-</u>	<u>(315,881)</u>
Nonoperating Revenues (Expenses)				
Investment income	244,882	-	(106,495)	138,387
Noncapital contributions	48,475	-	-	48,475
Interest expense	(368)	-	-	(368)
Income taxes - Aesculapius	<u>-</u>	<u>(36,515)</u>	<u>-</u>	<u>(36,515)</u>
Net nonoperating revenues (expenses)	<u>292,989</u>	<u>(36,515)</u>	<u>(106,495)</u>	<u>149,979</u>
Revenues in Excess of (Less than) Expenses	(165,902)	106,495	(106,495)	(165,902)
Net Position, Beginning of Year	<u>13,747,580</u>	<u>836,665</u>	<u>(836,665)</u>	<u>13,747,580</u>
Net Position, End of Year	<u>\$ 13,581,678</u>	<u>\$ 943,160</u>	<u>\$ (943,160)</u>	<u>\$ 13,581,678</u>
Condensed Statements of Cash Flows				
	June 30, 2020			
	Hospital	HCFC	Eliminations	Combined
Net Cash from (used for) Operating Activities	\$ 1,952,945	\$ 12,222	\$ -	\$ 1,965,167
Net Cash from (used for) Noncapital Financing Activities	7,827,612	(53,126)	-	7,774,486
Net Cash from (used for) Capital and Capital Related Financing Activities	(472,886)	(407,179)	-	(880,065)
Net Cash from (used for) Investing Activities	<u>(1,473,419)</u>	<u>-</u>	<u>-</u>	<u>(1,473,419)</u>
Net Change in Cash and Cash Equivalents	7,834,252	(448,083)	-	7,386,169
Cash and Cash Equivalents at Beginning of Year	<u>5,579,740</u>	<u>448,083</u>	<u>-</u>	<u>6,027,823</u>
Cash and Cash Equivalents at End of Year	<u>\$ 13,413,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,413,992</u>

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

	June 30, 2019			
	Hospital	HCFC	Eliminations	Combined
Net Cash from (used for) Operating Activities	\$ 1,281,303	\$ 168,919	\$ -	\$ 1,450,222
Net Cash from (used for) Noncapital Financing Activities	48,475	(36,515)	-	11,960
Net Cash from (used for) Capital and Capital Related Financing Activities	(596,128)	(116,705)	-	(712,833)
Net Cash from (used for) Investing Activities	<u>138,387</u>	<u>-</u>	<u>-</u>	<u>138,387</u>
Net Change in Cash and Cash Equivalents	872,037	15,699	-	887,736
Cash and Cash Equivalents at Beginning of Year	<u>4,707,703</u>	<u>432,384</u>	<u>-</u>	<u>5,140,087</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,579,740</u>	<u>\$ 448,083</u>	<u>\$ -</u>	<u>\$ 6,027,823</u>



Required Supplementary Information
June 30, 2020 and 2019

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Floyd County Memorial Hospital
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Budgetary Comparison Schedule of Revenues, Expenses, and Changes in Net Position
– Budget and Actual (Cash Basis) – Hospital Only
Required Supplementary Information
Year Ended June 30, 2020

	Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Adopted Budget	Variance Favorable (Unfavorable)
Amount to be Raised by Taxation	250,000	\$ -	250,000	500,000	(250,000)
Other Revenues/Receipts	<u>30,288,567</u>	<u>8,458,876</u>	<u>38,747,443</u>	<u>33,489,000</u>	<u>5,258,443</u>
Expenses/Disbursements	<u>30,538,567</u> <u>31,200,165</u>	<u>8,458,876</u> <u>(1,662,402)</u>	<u>38,997,443</u> <u>29,537,763</u>	<u>33,989,000</u> <u>33,989,000</u>	<u>5,008,443</u> <u>4,451,237</u>
Net	(661,598)	10,121,278	9,459,680	-	<u>\$ 9,459,680</u>
Balance, Beginning of Year	<u>13,581,678</u>	<u>(8,001,938)</u>	<u>5,579,740</u>	<u>15,327,477</u>	
Balance, End of Year	<u>\$ 12,920,080</u>	<u>\$ 2,119,340</u>	<u>\$ 15,039,420</u>	<u>\$ 15,327,477</u>	

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary prospective differences resulting from the Hospital preparing a budget on the cash basis of accounting.

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Hospital on the cash basis following required public notice and hearing in accordance with Chapters 24 and 347A of the Code of Iowa. The Board of Trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures. The budget was not amended during the year ended June 30, 2020.

For the year ended June 30, 2020, the Hospital's expenditures did not exceed the amount budgeted.

Floyd County Memorial Hospital
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Schedule of the Hospital's Proportionate Share of the Net Pension Liability
Required Supplementary Information
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
Hospital's Proportion of the Net Pension Liability	0.151855%	0.145947%	0.128041%	0.121790%	0.124457%	0.123682%
Hospital's Proportionate Share of the Net Pension Liability	\$ 8,793,425	\$ 9,235,909	\$ 8,529,136	\$ 7,664,601	\$ 6,148,789	\$ 5,068,733
Hospital's Covered Payroll	\$ 11,558,851	\$ 10,997,326	\$ 9,574,960	\$ 8,762,285	\$ 8,526,452	\$ 8,363,203
Hospital's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	76.08%	83.98%	89.08%	87.47%	72.11%	60.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Hospital will present information for those years for which information is available.

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedule of the Hospital's Contributions – Last 10 Fiscal Years
Required Supplementary Information
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily Required Contribution	\$ 1,095,252	\$ 1,091,156	\$ 985,602	\$ 826,973	\$ 782,496	\$ 759,966	\$ 746,834	\$ 718,037	\$ 679,338	\$ 551,553
Contributions in Relation to the Statutorily Required Contribution	(1,095,252)	(1,091,156)	(985,602)	(826,973)	(782,496)	(759,966)	(746,834)	(718,037)	(679,338)	(551,553)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's Covered Payroll	\$ 11,602,254	\$ 11,558,851	\$ 10,997,326	\$ 9,574,960	\$ 8,762,285	\$ 8,526,452	\$ 8,363,203	\$ 8,281,857	\$ 8,418,067	\$ 7,936,014
Contributions as a Percentage of Covered Payroll	9.44%	9.44%	8.96%	8.64%	8.93%	8.91%	8.93%	8.67%	8.07%	6.95%

Changes of benefit terms: Legislation passed in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% 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% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decrease the wage growth assumption from 4.00% to 3.25%.
- Decrease the payroll growth assumption from 4.00% to 3.25%

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

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

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

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

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedule of Changes in the Hospital's OPEB Liability, Related Ratios, and Notes
June 30, 2020 and 2019

	2020	2019
Service Cost	\$ 11,657	\$ 12,613
Interest Cost	4,529	7,482
Difference between expected and actual experience	(76,046)	-
Changes in assumptions	9,644	-
Benefit Payments	<u>(1,267)</u>	<u>(8,550)</u>
Net Change in Total OPEB Liability	(51,483)	11,545
Total OPEB Liability, Beginning of Year	<u>220,687</u>	<u>209,142</u>
Total OPEB Liability, End of Year	<u><u>\$ 169,204</u></u>	<u><u>\$ 220,687</u></u>
Covered-Employee Payroll	\$ 11,882,082	\$ 11,614,617
Total OPEB Liability as a Percentage of Covered-Employee Payroll	1.42%	1.90%

Notes to Schedule of Changes in the Hospital's OPEB Liability and Related Ratios

Changes in Benefit Terms:

There were no significant changes in benefit terms.

Changes in Assumptions:

The discount rate was changed from 3.44% to 2.74%.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.



Supplementary Information
June 30, 2020 and 2019

**Floyd County Memorial Hospital
d/b/a Floyd County Medical Center**



Independent Auditor's Report on Supplementary Information

The Board of Trustees
Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Charles City, Iowa

We have audited the financial statements of Floyd County Memorial Hospital, d/b/a Floyd County Medical Center (Hospital), as of and for the years ended June 30, 2020 and 2019, and our report thereon dated January 29, 2021, which expressed an unmodified opinion on those financial statements, appears on pages 2 and 3. Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of net patient service revenue – Hospital only, other operating revenues – Hospital only, operating expenses – Hospital only, patient receivables, collection statistics, supplies and prepaid expense, and statistical information are presented for the purposes of additional analysis and are not a required part of the financial statements. The schedules of net patient service revenue – Hospital only, other operating revenues – Hospital only, operating expenses – Hospital only, and supplies and prepaid expense are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of net patient service revenue – Hospital only, other operating revenues – Hospital only, operating expenses – Hospital only, and supplies and prepaid expense are fairly stated in all material respects in relation to the financial statements as a whole as of and for the years ended June 30, 2020 and 2019. The schedules of patient receivables, collection statistics, and statistical information have not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

Dubuque, Iowa
January 29, 2021

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Net Patient Service Revenue – Hospital Only
Years Ended June 30, 2020 and 2019

	2020	2019
Patient Service Revenue		
Routine services	\$ 3,945,126	\$ 3,730,404
Nursery	312,124	253,912
Operating and recovery rooms	7,746,559	6,146,505
Emergency room	6,839,414	7,559,735
Delivery and labor rooms	295,836	218,197
Central services and supply	279,824	356,088
Laboratory and blood bank	10,674,334	10,859,517
Radiology	8,790,464	8,692,821
Electro cardiology	813,660	1,004,086
Pharmacy	2,033,642	2,115,851
Intravenous therapy	322,036	278,014
Respiratory therapy	1,613,675	1,734,933
Physical therapy	2,844,619	2,988,348
Occupational therapy	1,063,377	1,066,848
Speech therapy	845,737	836,700
Anesthesiology	-	156,975
Medical clinic	318	17,150
Rural health clinic	5,705,902	6,063,434
Clinic surgeon	1,383,721	1,196,771
CRNA services	394,447	365,286
	55,904,815	55,641,575
Charity care (charges foregone)	(72,387)	(170,874)
Total patient service revenue*	<u>\$ 55,832,428</u>	<u>\$ 55,470,701</u>
* Total Patient Service Revenue - Reclassified		
Inpatient revenue	\$ 10,456,569	\$ 8,793,912
Outpatient revenue	45,448,246	46,847,663
Charity care (charges foregone)	(72,387)	(170,874)
Total patient service revenue	55,832,428	55,470,701
Contractual adjustments	(25,473,399)	(25,705,799)
Policy discounts	(23,519)	(25,953)
Net Patient and Resident Service Revenue	30,335,510	29,738,949
Provision for Bad Debts	(2,075,402)	(1,468,813)
Net Patient and Resident Service Revenue (Net of Provision for Bad Debts)	<u>\$ 28,260,108</u>	<u>\$ 28,270,136</u>

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Other Operating Revenues – Hospital Only
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
340B Program Revenue	\$ 1,638,830	\$ 986,980
Cafeteria	70,706	107,005
Specialty Clinics	69,308	68,825
Office Rental	19,679	20,844
Medical Records Transcripts	8,359	9,407
Other	<u>71,654</u>	<u>19,250</u>
Total Other Operating Revenues	<u>\$ 1,878,536</u>	<u>\$ 1,212,311</u>

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Operating Expenses – Hospital Only
Years Ended June 30, 2020 and 2019

	2020	2019
Nursing Administration		
Salaries and wages	\$ 278,453	\$ 356,338
Supplies and other expenses	35,751	20,896
	<u>314,204</u>	<u>377,234</u>
Routine Services		
Salaries and wages	2,142,979	2,141,358
Supplies and other expenses	135,067	137,419
	<u>2,278,046</u>	<u>2,278,777</u>
Nursery		
Salaries and wages	72,205	63,253
Supplies and other expenses	1,180	1,261
	<u>73,385</u>	<u>64,514</u>
Operating and Recovery Rooms		
Salaries and wages	529,288	580,462
Supplies and other expenses	1,160,347	660,069
	<u>1,689,635</u>	<u>1,240,531</u>
Delivery and Labor Rooms		
Salaries and wages	50,404	50,786
Supplies and other expenses	3,254	3,192
	<u>53,658</u>	<u>53,978</u>
Emergency Room and Wound Care		
Salaries and wages	708,637	704,149
Supplies and other expenses	1,521,270	1,506,596
	<u>2,229,907</u>	<u>2,210,745</u>
Central Services and Supply		
Salaries and wages	73,088	80,417
Supplies and other expenses	97,841	108,519
	<u>170,929</u>	<u>188,936</u>
Laboratory and Blood Bank		
Salaries and wages	736,053	760,551
Supplies and other expenses	875,512	824,699
	<u>1,611,565</u>	<u>1,585,250</u>
Radiology		
Salaries and wages	561,520	576,730
Supplies and other expenses	657,988	648,654
	<u>1,219,508</u>	<u>1,225,384</u>

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Operating Expenses – Hospital Only
Years Ended June 30, 2020 and 2019

	2020	2019
Electro cardiology		
Salaries and wages	\$ 76,268	\$ 93,091
Supplies and other expenses	30,910	36,121
	<u>107,178</u>	<u>129,212</u>
Pharmacy		
Salaries and wages	75,730	112,056
Supplies and other expenses	1,422,692	1,392,024
	<u>1,498,422</u>	<u>1,504,080</u>
Respiratory Therapy		
Supplies and other expenses	303,786	330,587
	<u>303,786</u>	<u>330,587</u>
Physical Therapy		
Supplies and other expenses	897,859	957,706
	<u>897,859</u>	<u>957,706</u>
Occupational Therapy		
Supplies and other expenses	157,200	124,809
	<u>157,200</u>	<u>124,809</u>
Speech Therapy		
Salaries and wages	360,573	338,131
Supplies and other expenses	8,260	5,605
	<u>368,833</u>	<u>343,736</u>
Medical Clinic		
Salaries and wages	-	13,496
Supplies and other expenses	375	13,488
	<u>375</u>	<u>26,984</u>
Rural Health Clinic		
Salaries and wages	3,130,097	2,865,777
Supplies and other expenses	944,689	1,144,004
	<u>4,074,786</u>	<u>4,009,781</u>
Sleep Studies		
Supplies and other expenses	20,675	31,260
	<u>20,675</u>	<u>31,260</u>
Clinic Surgeon		
Salaries and wages	632,379	633,185
Supplies and other expenses	37,692	31,318
	<u>670,071</u>	<u>664,503</u>
CRNA Services		
Supplies and other expenses	434,211	439,795
	<u>434,211</u>	<u>439,795</u>

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Operating Expenses – Hospital Only
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Specialty Clinics		
Salaries and wages	\$ 46,171	\$ 47,023
Supplies and other expenses	<u>12,106</u>	<u>11,622</u>
	<u>58,277</u>	<u>58,645</u>
Dietary		
Salaries and wages	505,718	535,123
Supplies and other expenses	<u>180,077</u>	<u>209,203</u>
	<u>685,795</u>	<u>744,326</u>
Plant Operation and Maintenance		
Salaries and wages	257,226	239,641
Supplies and other expenses	<u>699,570</u>	<u>604,284</u>
	<u>956,796</u>	<u>843,925</u>
Housekeeping		
Salaries and wages	378,460	379,240
Supplies and other expenses	<u>39,267</u>	<u>41,769</u>
	<u>417,727</u>	<u>421,009</u>
Laundry and Linen		
Salaries and wages	19,514	19,139
Supplies and other expenses	<u>67,051</u>	<u>65,466</u>
	<u>86,565</u>	<u>84,605</u>
Medical Records		
Salaries and wages	307,098	307,186
Supplies and other expenses	<u>45,681</u>	<u>65,430</u>
	<u>352,779</u>	<u>372,616</u>
Administrative Services		
Salaries and wages	1,534,326	1,560,541
Supplies and other expenses	<u>1,659,627</u>	<u>1,531,557</u>
	<u>3,193,953</u>	<u>3,092,098</u>
Unassigned Expenses		
Depreciation and amortization	1,299,072	1,269,370
Insurance	127,890	106,161
Employee benefits	<u>5,847,078</u>	<u>5,160,781</u>
	<u>7,274,040</u>	<u>6,536,312</u>
Total Operating Expenses	<u><u>\$ 31,200,165</u></u>	<u><u>\$ 29,941,338</u></u>

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Patient Receivables and Collection Statistics (Unaudited)
June 30, 2020 and 2019

<u>Days Since Discharge</u>	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
30 Days or Less	\$ 4,363,887	60.81%	\$ 5,439,963	61.24%
31 to 60 Days	699,657	9.75%	671,771	7.56%
61 to 90 Days	202,402	2.82%	441,480	4.97%
91 to 120 Days	176,715	2.46%	221,936	2.50%
121 to 150 Days	237,739	3.31%	275,741	3.10%
151 Days and over	1,495,766	20.85%	1,831,836	20.63%
	7,176,166	<u>100.00%</u>	8,882,727	<u>100.00%</u>
Less: Allowance for Doubtful Accounts	(1,559,000)		(1,941,000)	
Allowance for Contractual Adjustments	<u>(2,595,349)</u>		<u>(2,937,000)</u>	
Net	<u>\$ 3,021,817</u>		<u>\$ 4,004,727</u>	
Collection Statistics			<u>2020</u>	<u>2019</u>
Net patient accounts receivable			\$ 3,021,817	\$ 4,004,727
Number of days charges outstanding (1)			39	52
Uncollectible accounts (2)			\$ 2,147,789	\$ 1,639,687
Percentage of uncollectible accounts to total charges			3.84%	2.95%

(1) Based on average daily net patient service revenue for the entire year

(2) Includes provision for bad debts and charity care.

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Supplies and Prepaid Expense
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Supplies		
Pharmacy	\$ 253,313	\$ 310,378
Surgery	210,869	165,956
Storeroom	69,144	66,287
Dietary	<u>14,763</u>	<u>8,658</u>
Total	<u><u>\$ 548,089</u></u>	<u><u>\$ 551,279</u></u>
Prepaid Expense		
Insurance and other	<u><u>\$ 70,484</u></u>	<u><u>\$ 125,545</u></u>

Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Schedules of Statistical Information (Unaudited)
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Patient Days		
Acute	1,389	1,247
Swing-bed	1,470	1,585
Number of Beds	25	25
Percentage of Occupancy	31%	31%
Discharges		
Acute	387	379
Swing-bed	145	175
Average Length of Stay		
Acute	3.59	3.29
Swing-bed	10.14	9.06



**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Board of Trustees
Floyd County Memorial Hospital
d/b/a Floyd County Medical Center
Charles City, 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 Floyd County Memorial Hospital, d/b/a Floyd County Medical Center (Hospital), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated January 29, 2021.

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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and another 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 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. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 2020-001 and 2020-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings and Responses as item 2020-003 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2020, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital and are reported in Part II of the accompanying Schedule of Findings and Responses. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hospital's Responses to Findings

The Hospital's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dubuque, Iowa
January 29, 2021

Part I: Findings Related to the Financial Statements:

Material Weakness:

2020-001 Preparation of Financial Statements and Audit Adjustments

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

Condition – Floyd County Memorial Hospital, d/b/a Floyd County Medical Center (Hospital) does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by GAAP. In conjunction with completion of our audit, we were requested to draft the financial statements and accompanying notes to the financial statements. Also, adjusting journal entries, some of which are material, and which were material in the aggregate, were proposed and made to the financial statements during the audit.

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

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

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

Response – This finding and recommendation is not a result of any change in the Hospital's procedures, rather it is due to an auditing standard implemented by the American Institute of Certified Public Accountants. Management feels that committing the resources necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Part I: Findings Related to the Financial Statements: (continued)

Material Weakness:

2020-002 Reconciliations

Criteria – Accurate monthly reconciliation and review of all significant statement of net position accounts is essential to preparing reliable financial statements. Auditors must also assess the impact of audit entries on the financial statements.

Condition – The Hospital’s main operating cash accounts, miscellaneous receivables accounts, various accrued expense accounts, and other statement of net position accounts were not fully reconciled during the year. Audit entries were proposed to adjust these accounts on the general ledger to properly record the balances at year end.

Cause – All significant statement of net position accounts need to be reviewed in-depth monthly to ensure they are accounted for properly. An internal review process that verifies the accuracy of the general ledger account balances monthly was not implemented.

Effect – Failure to reconcile these accounts can result in errors on the interim financial statements and represents a weakness in internal control in the accounting system. Material entries were proposed during the audit to adjust year-end account balances.

Recommendation – All general ledger accounts must be reconciled and reviewed monthly. Furthermore, the Chief Financial Officer should review reconciliations prepared by the accounting staff to ensure that the reconciliations are completed on a timely basis and are accurate. This will help ensure that necessary entries are made on a timely basis. In addition, staff reconciling accounts need to work collectively monthly to ensure that any unusual items are addressed and corrected as soon as possible.

Response – Management agrees with the finding. The Hospital’s accountant and Chief Financial Officer will work collectively in the preparation and review of monthly reconciliations to improve the financial reporting process going forward.

Part I: Findings Related to the Financial Statements: (continued)

Significant Deficiency:

2020-003 Segregation of Duties

Criteria – An effective system of internal control depends on an adequate segregation of duties with respect to the execution and recording of transactions, as well as the custody of an organization's assets. Accordingly, an effective system of internal control will be designed such that these functions are performed by different employees, so that no one individual handles a transaction from its inception to its completion.

Condition – Certain employees perform duties that are incompatible.

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

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

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. We also recognize that in some instances it may not be cost effective to employ additional personnel for the purpose of segregating duties. It is the responsibility of management and those charged with governance to determine whether to accept the degree of risk associated with the condition because of cost or other considerations.

However, the Hospital should continually review its internal control procedures, other compensating controls and monitoring procedures to obtain the maximum internal control possible under the circumstances. Management involvement through the review of reconciliation procedures can be an effective control to ensure these procedures are being accurately completed on a timely basis. Furthermore, the Hospital should periodically evaluate its procedures to identify potential areas where the benefits of further segregation of duties or addition of other compensating controls and monitoring procedures exceed the related costs.

Response – Management agrees with the finding and has reviewed the operating procedures of the Hospital. Due to the limited number of office employees, management will continue to monitor the Hospital's operations and procedures. Furthermore, management will continually review the assignment of duties to obtain the maximum internal control possible under the circumstances.

Part II: Other Findings Related to Required Statutory Reporting:

- 2020-IA-A Certified Budget** – Disbursements during the year ended June 30, 2020, did not exceed the amount budgeted.
- 2020-IA-B Questionable Expenditures** – We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- 2020-IA-C Travel Expense** – No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.
- 2020-IA-D Business Transactions** – We noted no material transactions between the Hospital and Hospital officials and/or employees.
- 2020-IA-E Restricted Donor Activity** – No transactions were noted between the Hospital, Hospital officials, Hospital employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 2020-IA-F Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2020-IA-G Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Hospital’s investment policy were noted.
- 2020-IA-H Mileage Reimbursements**
- Criteria** – Properly designed internal controls allow entities to initiate, authorize, record, process, and report financial data reliably in accordance with laws and regulations.
- Condition** – During our review of mileage reimbursements, we noted an instance where an individual was reimbursed mileage at a rate above the IRS limit.
- Cause** – An incorrect mileage rate was applied (not updated from the prior year).
- Effect** – Mileage was paid at a higher rate than allowed by IRS limitations.
- Recommendation** – We recommend that management review mileage reimbursements to ensure rates are within IRS guidelines.
- Response** – 2019 mileage rate was inadvertently used for reimbursement in 2020. Rates were \$0.580 in 2019 and \$0.575 in 2020. Management will monitor this going forward to ensure that the correct rate is applied.