

**ORANGE CITY AREA HEALTH SYSTEM,
AN ADMINISTRATIVE AGENCY OF THE
CITY OF ORANGE, IOWA
DBA: ORANGE CITY AREA HEALTH SYSTEM
AND ORANGE CITY AREA HEALTH FOUNDATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019

**ORANGE CITY AREA HEALTH SYSTEM
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YEARS ENDED JUNE 30, 2020 AND 2019**

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**ORANGE CITY HEALTH SYSTEM
BOARD OF TRUSTEES AND HOSPITAL ADMINISTRATION
JUNE 30, 2020 AND 2019**

Board of Trustees

Expiration of Term

Tim Zeutenhorst, Chairman

December, 2023

Brenda Richardson, Vice Chairperson/Treasurer

December, 2021

Jerry Henrich, Secretary

December, 2023

Wade Hofland

December, 2023

Chris Immecker

December, 2021

Kathy Alons

December, 2023

Russ Adams

December, 2021

Chief Executive Officer

Martin W. Guthmiller

Director, Financial Services

Dina A. Baas



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Orange City Area Health System
an Administrative Agency of the City of Orange, Iowa
dba: Orange City Area Health System
and Orange City Area Health Foundation
Orange City, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Orange City Area Health System (Health System), a component unit of the City of Orange City, Iowa, and its discretely presented component unit Orange City Area Health Foundation (Foundation) which comprise the statements of net position and statements of financial position, respectively, as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, activities, 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Health System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health System'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orange City Area Health System and its discretely presented component unit as of June 30, 2020 and 2019, and the respective changes in their financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 10, Budgetary Comparison Schedule, Schedule of the Health System's Proportionate Share of the Net Pension Liability, Schedule of the Health System's Pension Contributions and related pension liability notes, and Schedule of Changes in the Health System's Total OPEB Liability, Related Ratios and Notes on pages 50 through 56, be presented to supplement its basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information


Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 57 through 70 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Trustees
Orange City Area Health System

The table of the board of trustees and hospital officials, schedules of patient and resident receivables, schedule of insurance, and the schedules of comparative statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020, on our consideration of the Orange City Area Health System's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Orange City Area Health System's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 13, 2020

**ORANGE CITY AREA HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

As management of Orange City Area Health System (Health System), we offer readers of the financial statements this narrative overview and analysis of the Health System's financial performance during the years ended June 30, 2020 (FY20), 2019 (FY19), 2018 (FY18). Please read it in conjunction with the Health System's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total assets increased by \$4,511,424 to \$69,561,864 in FY20 compared to FY19.
- Noncurrent cash and investments decreased by \$1,633,415 in FY20 compared to FY19.
- Total net position decreased by \$150,052 in FY20.
- Total long-term debt decreased by \$1,572,544 in FY20
- Net patient service revenue increased by \$1,999,780 in FY20, due to an increase in volumes.
- Operating expenses increased by \$4,333,750 in FY20, which is due to an increase in salaries and benefits due to high volumes and more hours worked during the year ended June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the Orange City Area Health System. The basic financial statements of the Orange City Area Health Foundation, a component unit, are separately presented. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of Orange City Area Health System report information of the Health System using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The statements of net position includes all of the Health System's assets, liabilities, deferred outflows and inflows, and provides information about the nature and amounts of investments in resources (assets) and the obligations to Health System's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Health System and assessing the liquidity and financial flexibility of the Health System.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net position. This statement measures the success of the Health System operations over the past year and can be used to determine whether the Health System has successfully recovered all its costs through its patient and resident service revenues and other revenue sources, profitability, and credit worthiness.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing, and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**ORANGE CITY AREA HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

ORANGE CITY AREA HEALTH SYSTEM'S NET POSITION

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

A summary of Orange City Area Health System's statements of net position is presented in Table 1.

Table 1: Statements of Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Current Assets	\$ 29,887,707	\$ 23,586,189	\$ 22,428,770
Noncurrent Cash and Investments	6,992,776	8,626,191	8,664,855
Capital Assets, Net	30,539,301	30,404,197	32,454,195
Other Assets	2,142,080	2,433,863	2,510,512
Total Assets	<u>69,561,864</u>	<u>65,050,440</u>	<u>66,058,332</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>5,446,026</u>	<u>5,167,120</u>	<u>5,436,585</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 75,007,890</u>	<u>\$ 70,217,560</u>	<u>\$ 71,494,917</u>
LIABILITIES			
Current Liabilities	\$ 12,545,223	\$ 7,685,088	\$ 7,872,688
Long-Term Debt (Less Current Maturities)	15,172,673	16,745,217	18,272,005
Other Liabilities	1,031,874	934,346	1,479,335
Net Pension Liability	16,596,826	16,670,713	17,062,616
Total Liabilities	<u>45,346,596</u>	<u>42,035,364</u>	<u>44,686,644</u>
DEFERRED INFLOWS OF RESOURCES			
	2,557,176	928,026	394,447
NET POSITION			
Net Investment in Capital Assets	13,794,686	12,132,580	12,700,970
Restricted	15,798	3,154	2,020
Unrestricted	13,293,634	15,118,436	13,710,836
Total Net Position	<u>27,104,118</u>	<u>27,254,170</u>	<u>26,413,826</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 75,007,890</u>	<u>\$ 70,217,560</u>	<u>\$ 71,494,917</u>

**ORANGE CITY AREA HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

OPERATING RESULTS AND CHANGES IN ORANGE CITY AREA HEALTH SYSTEM'S NET POSITION

The following table presents a summary of revenue and expenses for the fiscal years ended June 30, 2020, 2019, and 2018. In 2020, net position decreased by \$150,052 from the prior year.

Table 2: Statements of Revenues, Expenses, and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
OPERATING REVENUES			
Net Patient Service Revenue	\$ 49,752,400	\$ 47,752,620	\$ 47,012,200
Other Revenue	5,237,193	4,437,306	3,660,778
Total Operating Revenues	<u>54,989,593</u>	<u>52,189,926</u>	<u>50,672,978</u>
OPERATING EXPENSES			
Nursing Services	12,850,953	12,374,300	12,208,002
Other Professional Services	24,335,764	22,467,344	20,495,074
General Services	2,144,318	2,070,737	2,061,142
Administrative and Fiscal Services			
Unassigned Expenses	12,786,921	10,913,422	9,277,620
Depreciation	3,591,116	3,549,519	3,682,932
Total Operating Expenses	<u>55,709,072</u>	<u>51,375,322</u>	<u>47,724,770</u>
OPERATING INCOME (LOSS)	(719,479)	814,604	2,948,208
Nonoperating Revenues (Expenses), Net	<u>569,427</u>	<u>(846)</u>	<u>(481,548)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(150,052)	813,758	2,466,660
Capital Grants and Contributions	<u>-</u>	<u>26,586</u>	<u>40,752</u>
Increase (Decrease) in Net Position	(150,052)	840,344	2,507,412
Net Position - Beginning of Year	<u>27,254,170</u>	<u>26,413,826</u>	<u>23,906,414</u>
NET POSITION - END OF YEAR	<u>\$ 27,104,118</u>	<u>\$ 27,254,170</u>	<u>\$ 26,413,826</u>

**ORANGE CITY AREA HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

OPERATING AND FINANCIAL PERFORMANCE

The following summarizes Orange City Area Health System's statement of revenue, expenses, and changes in net position between June 30, 2020, 2019, and 2018.

Net Patient Service Revenue: Net patient service revenue is a product of volume, price increases, and payor mix

Volume: Health System discharges for FY20 were 855 compared to 951 in FY19. Average length of stay for acute decreased from 3.11 in FY19 to 2.99 in FY20. Patient days decreased from 4,059 in FY19 to 3,560 in FY20. In FY20, gross inpatient charges decreased from \$8,037,075 in FY19 to \$7,308,501 in FY20. Gross outpatient charges increased from \$53,104,697 in FY19 to \$53,349,844 in FY20.

Price Increase: As is customary, the Hospital did review its charge structure and incorporated certain price increases in FY20.

Payor Mix: The Hospital is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare are paid based on a cost reimbursement methodology. Contractual adjustments and uncollectible accounts were \$19,134,096 in FY20 compared to \$21,129,612 in FY19. This represents approximately 28% and 31% of gross patient charges for the years ended June 30, 2020 and 2019, respectively.

The following table displays the percentages of gross charges for patient services by payor for the years ended June 30, 2020, 2019, and 2018.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Medicare	33%	33%	34%
Wellmark	33%	34%	34%
Medicaid	11%	11%	10%
Commercial Insurance and Other	13%	13%	20%
Self Pay	10%	9%	2%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

OTHER REVENUE

Occupancy at Landsmeer Ridge, an assisted and independent living complex, decreased from 25,370 resident days in FY19 to 25,363 resident days in FY20. In addition, the Health System leases office space located in the downtown campus to various organizations.

EXPENSES

Sixty percent of Orange City Area Health System's expenses are attributed to salaries and benefits. Total salaries and benefits increased from \$30.0 million to \$33.1 million.

**ORANGE CITY AREA HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, Orange City Area Health System had approximately \$30.5 million invested in capital assets, net of accumulated depreciation, as shown in Table 1. The financial statements provides more detail of changes in property and equipment.

The following table summarizes Orange City Area Health System's capital assets as of June 30, 2020, 2019, and 2018.

	2020	2019	2018
Land	\$ 1,665,048	\$ 1,665,048	\$ 1,685,688
Land Improvements	3,883,457	3,735,626	3,708,321
Buildings	20,116,972	19,498,774	19,339,306
Fixed Equipment	40,079,519	37,879,259	37,537,365
Major Moveable Equipment	15,384,070	14,457,755	13,802,172
Construction in Progress	37,588	489,549	153,638
Total	<u>81,166,654</u>	<u>77,726,011</u>	<u>76,226,490</u>
Less Accumulated Depreciation	<u>(50,627,353)</u>	<u>(47,321,814)</u>	<u>(43,772,295)</u>
Net Capital Assets	<u><u>\$ 30,539,301</u></u>	<u><u>\$ 30,404,197</u></u>	<u><u>\$ 32,454,195</u></u>

LONG-TERM DEBT

At June 30, 2020, Orange City Area Health System had \$16,744,615 in long-term debt, including current maturities, related primarily to hospital revenue capital loan notes. More detailed information is presented in the notes of the financial statements.

PERFORMANCE COMPARED TO BUDGET

The following table compare fiscal year actual to budget information.

	Budget	Actual	Dollar Variance
Gross Patient Service Revenue	\$ 73,336,716	\$ 69,180,946	\$ (4,155,770)
Contractual Adjustments	(20,643,600)	(18,727,055)	1,916,545
Provision for Uncollectible Accounts	(492,000)	(407,041)	84,959
Charity Care	(358,404)	(294,450)	63,954
Net Patient Service Revenue	<u>51,842,712</u>	<u>49,752,400</u>	<u>(2,090,312)</u>
Other Operating Revenue	2,722,500	5,237,193	2,514,693
Total Operating Revenue	<u>54,565,212</u>	<u>54,989,593</u>	<u>424,381</u>
Operating Expenses	54,460,672	55,709,072	1,248,400
Operating Income (Loss)	<u>104,540</u>	<u>(719,479)</u>	<u>(824,019)</u>
Interest Expense	(510,780)	(503,546)	7,234
Income from Investments	414,672	477,840	63,168
Other Nonoperating, Including Capital and Noncapital Grants and Contributions	70,992	595,133	524,141
Increase (Decrease) in Net Position	<u><u>\$ 79,424</u></u>	<u><u>\$ (150,052)</u></u>	<u><u>\$ (229,476)</u></u>

**ORANGE CITY AREA HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

ECONOMIC AND OTHER FACTORS AND NEXT YEAR'S BUDGET

Orange City Area Health System's Board and management considered many factors when setting the fiscal year 2021 budget. Economic forces and environmental factors, such as the following were considered:

- Medicare and Medicaid reimbursement rates
- Commercial insurance and health network reimbursement rates
- The aging of the population in our market area
- Major employers
- Legislation
- Workforce shortages
- Physician recruitment
- Cost of supplies
- Rising pharmaceutical costs
- Technology advancements
- Contribution receivable collections
- Rising costs of employee benefits

CONTACTING ORANGE CITY AREA HEALTH SYSTEM'S FINANCE DEPARTMENT

Orange City Area Health System's financial statements are designed to present users with a general overview of the finances and to demonstrate Orange City Area Health System's accountability. If you have any questions about the report on need additional information, please contact the finance department at Orange City Area Health System, 1000 Lincoln Circle SE, Orange City, IA 51041.

**ORANGE CITY AREA HEALTH SYSTEM
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 23,513,236	\$ 16,943,650
Patient Receivables, Net of Allowance for Uncollectible Accounts and Contractual Adjustments (\$3,505,000 in 2020, \$4,165,000 in 2019)	5,042,499	5,992,863
Estimated Third-Party Payor Settlements	700,000	-
Inventory	579,696	553,622
Prepaid Expenses	52,276	96,054
Total Current Assets	29,887,707	23,586,189
NONCURRENT CASH AND INVESTMENTS		
Designated by Board for Plant Replacement and Expansion:		
Cash and Cash Equivalents	164,866	12,593
Certificates of Deposits	5,503,404	7,028,312
U.S. Government Agency Securities	4,159	4,438
Accrued Interest Receivable	22,060	59,162
	5,694,489	7,104,505
Designated by Board for Deferred Compensation:		
Mutual Funds	645,714	584,425
Designated by Board for Self-Insured Health Insurance Claims:		
Certificates of Deposit	636,775	934,107
Restricted by Donors for Specific Purpose:		
Cash	15,798	3,154
Total Noncurrent Cash and Investments	6,992,776	8,626,191
CAPITAL ASSETS, NET	81,166,654	77,726,011
Less Accumulated Depreciation	50,627,353	47,321,814
Total Capital Assets, Net	30,539,301	30,404,197
OTHER ASSETS	2,142,080	2,433,863
Total Assets	69,561,864	65,050,440
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	5,372,502	5,117,244
Other Postemployment Benefits Related Deferred Outflows	73,524	49,876
Total Deferred Outflows of Resources	5,446,026	5,167,120
Total Assets and Deferred Outflows of Resources	\$ 75,007,890	\$ 70,217,560

See accompanying Notes to Financial Statements.

**ORANGE CITY AREA HEALTH SYSTEM
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2020 AND 2019**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2020	2019
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 1,571,942	\$ 1,526,400
Accounts Payable	1,562,433	1,435,994
Accrued Payroll and Benefits	3,691,439	3,256,918
Payroll Taxes	365,363	515,206
Accrued Interest Payable	162,870	178,070
Estimated Third-Party Payor Settlements	-	300,000
Unearned Grant Revenue	5,086,676	-
Other	104,500	472,500
Total Current Liabilities	12,545,223	7,685,088
NONCURRENT LIABILITIES		
Long-Term Debt, Less Current Maturities	15,172,673	16,745,217
Net Pension Liability	16,596,826	16,670,713
Total Noncurrent Liabilities	31,769,499	33,415,930
OTHER LIABILITIES		
Deferred Compensation Liability	645,714	584,425
Other Post-Employment Benefits	386,160	349,921
Total Other Liabilities	1,031,874	934,346
Total Liabilities	45,346,596	42,035,364
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	2,496,496	848,990
Other Post-Employment Benefits Related Deferred Inflows	31,390	36,631
Home Health Deferred Inflows	29,290	42,405
Total Deferred Inflows of Resources	2,557,176	928,026
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Net Investment in Capital Assets	13,794,686	12,132,580
Restricted	15,798	3,154
Unrestricted	13,293,634	15,118,436
Total Net Position	27,104,118	27,254,170
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 75,007,890	\$ 70,217,560

See accompanying Notes to Financial Statements.

**ORANGE CITY AREA HEALTH SYSTEM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
OPERATING REVENUES		
Patient Service Revenue, Net of Contractual Allowances and Discounts and Provision for Uncollectible Accounts	\$ 49,752,400	\$ 47,752,620
Other Operating Revenue	5,237,193	4,437,306
Total Operating Revenues	54,989,593	52,189,926
 OPERATING EXPENSES		
Nursing Services	12,850,953	12,374,300
Other Professional Services	24,335,764	22,467,344
General Services	2,144,318	2,070,737
Administrative and Fiscal Services and Unassigned Expenses	12,786,921	10,913,422
Depreciation	3,591,116	3,549,519
Total Operating Expenses	55,709,072	51,375,322
 OPERATING INCOME (LOSS)	(719,479)	814,604
 NONOPERATING REVENUE (EXPENSE)		
Noncapital Grants and Contributions	527,332	-
Investment Income	477,840	468,892
Interest Expense	(503,546)	(547,814)
Gain on Sale of Assets	27,089	-
Other Nonoperating Revenue	28,068	76,942
Nonoperating Income from Auxiliary Activity, Net	12,644	1,134
Nonoperating Revenue (Expense), Net	569,427	(846)
 EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(150,052)	813,758
 CAPITAL GRANTS AND CONTRIBUTIONS	-	26,586
 INCREASE IN NET POSITION	(150,052)	840,344
Net Position - Beginning of Year	27,254,170	26,413,826
 NET POSITION - END OF YEAR	\$ 27,104,118	\$ 27,254,170

See accompanying Notes to Financial Statements.

**ORANGE CITY AREA HEALTH SYSTEM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Patients, Residents, and Third-Party Payors	\$ 49,702,764	\$ 45,563,871
Cash Paid to Employees	(31,869,267)	(29,382,426)
Cash Paid to Suppliers and Contractors	(18,583,489)	(16,826,742)
Other Receipts and Payments, Net	5,237,193	4,437,306
Net Cash Provided by Operating Activities	4,487,201	3,792,009
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital Grants and Contributions	5,614,008	-
Nonoperating Gain from Auxiliary Activities, Net	12,644	1,134
Net Cash Provided by Noncapital Financing Activities	5,626,652	1,134
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(1,527,002)	(1,481,608)
Purchase of Capital Assets	(3,779,470)	(1,312,120)
Proceeds from Sale of Capital Assets	80,339	20,640
Acquisition of Physical Therapy	-	(375,000)
Interest Payments on Long-Term Debt	(518,746)	(562,295)
Other Nonoperating Revenue	28,068	76,942
Capital Grants and Contributions	-	26,586
Net Cash Used by Capital and Related Financing Activities	(5,716,811)	(3,606,855)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Certificates of Deposit	(3,152,111)	(4,540,498)
Proceeds from Maturities of Certificates of Deposit	5,094,431	4,551,505
Proceeds from Maturity of U.S. Government Securities	279	313
Interest Received	394,862	317,990
Net Cash Provided by Investing Activities	2,337,461	329,310
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,734,503	515,598
Cash and Cash Equivalents - Beginning of Year	16,959,397	16,443,799
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 23,693,900	\$ 16,959,397

See accompanying Notes to Financial Statements.

**ORANGE CITY AREA HEALTH SYSTEM
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (719,479)	\$ 814,604
Adjustments to Reconcile Adjusted Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,591,116	3,549,519
Provision for Uncollectible Accounts	407,041	540,835
Physician Advances, Net of Refunds	(40,000)	(390,000)
Physician Advances Forgiven	235,389	220,438
Changes in Assets, Liabilities, Deferred Outflows and Inflows		
Patient Receivables	543,323	(1,130,392)
Estimated Third-Party Payor Settlements	(1,000,000)	(1,599,192)
Other Assets	96,394	246,211
Inventories	(26,074)	(76,935)
Prepaid Expenses	43,778	11,862
Accounts Payable, Net of Amounts for Capital Assets	126,439	367,659
Other Post-Employment Benefits	36,239	21,066
Accrued Payroll and Benefits	434,521	301,200
Payroll Taxes	(149,843)	477,493
Other	(368,000)	26,500
Deferred Outflows of Resources	(278,906)	269,465
Unearned Grant Revenue	-	-
Deferred Inflows of Resources	1,629,150	533,579
Net Pension Liability	(73,887)	(391,903)
Net Cash Provided by Operating Activities	\$ 4,487,201	\$ 3,792,009
NONCASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets included in Accounts Payable	\$ -	\$ 208,041
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and Cash Equivalents in Current Assets	\$ 23,513,236	\$ 16,943,650
Noncurrent Cash and Investments		
Designated by Board for Plant Replacement and Expansion	164,866	12,593
Restricted by Donors for Specific Purpose	15,798	3,154
Total	\$ 23,693,900	\$ 16,959,397

See accompanying Notes to Financial Statements.

**ORANGE CITY AREA HEALTH FOUNDATION
(A COMPONENT UNIT OF ORANGE CITY AREA HEALTH SYSTEM)
STATEMENTS OF FINANCIAL POSITION – FOUNDATION
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
Cash	\$ 540,859	\$ 492,169
Property and Equipment, Net of Accumulated Depreciation	2,106,650	2,227,474
Other	38,691	38,691
Total Assets	\$ 2,686,200	\$ 2,758,334
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 195,564	\$ 195,564
Lease Deposit	186,361	228,427
Accrued Financing Fee	11,733	-
Total Current Liabilities	393,658	423,991
Long-Term Debt , Less Current Maturities	896,288	1,091,843
Total Liabilities	1,289,946	1,515,834
NET ASSETS		
Without Donor Restrictions	1,332,530	1,200,262
With Donor Restrictions	63,724	42,238
Total Net Assets	1,396,254	1,242,500
Total Liabilities and Net Assets	\$ 2,686,200	\$ 2,758,334

See accompanying Notes to Financial Statements.

**ORANGE CITY AREA HEALTH FOUNDATION
(A COMPONENT UNIT OF ORANGE CITY AREA HEALTH SYSTEM)
STATEMENTS OF ACTIVITIES – FOUNDATION
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 2,992	\$ 21,486	\$ 24,478
Special Events	24,370	-	24,370
Rental Income	240,064	-	240,064
Campaign Income	46,628	-	46,628
Interest Income	340	-	340
Total Revenues	<u>314,394</u>	<u>21,486</u>	<u>335,880</u>
EXPENSES			
Contributions and Expenses	35,500	-	35,500
Fundraising Event	13,967	-	13,967
Depreciation	120,824	-	120,824
Miscellaneous	102	-	102
Financing Fee	11,733	-	11,733
Total Expenses	<u>182,126</u>	<u>-</u>	<u>182,126</u>
INCREASE IN NET ASSETS	132,268	21,486	153,754
Net Assets - Beginning of Year	<u>1,200,262</u>	<u>42,238</u>	<u>1,242,500</u>
NET ASSETS - END OF YEAR	<u>\$ 1,332,530</u>	<u>\$ 63,724</u>	<u>\$ 1,396,254</u>

See accompanying Notes to Financial Statements.

**ORANGE CITY AREA HEALTH FOUNDATION
(A COMPONENT UNIT OF ORANGE CITY AREA HEALTH SYSTEM)
STATEMENTS OF ACTIVITIES – FOUNDATION (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 43,681	\$ 16,485	\$ 60,166
20,680	-	20,680
241,038	-	241,038
-	-	-
594	-	594
<u>305,993</u>	<u>16,485</u>	<u>322,478</u>
25,055	-	25,055
3,148	-	3,148
120,824	-	120,824
-	-	-
13,689	-	13,689
<u>162,716</u>	<u>-</u>	<u>162,716</u>
143,277	16,485	159,762
<u>1,056,985</u>	<u>25,753</u>	<u>1,082,738</u>
<u>\$ 1,200,262</u>	<u>\$ 42,238</u>	<u>\$ 1,242,500</u>

See accompanying Notes to Financial Statements.

**ORANGE CITY AREA HEALTH FOUNDATION
(A COMPONENT UNIT OF ORANGE CITY AREA HEALTH SYSTEM)
STATEMENTS OF CASH FLOWS – FOUNDATION
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 153,754	\$ 159,762
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	120,824	120,824
(Increase) in Value of Other Asset	-	(723)
Decrease on Lease Deposit	(42,066)	(44,064)
Net Cash Provided by Operating Activities	232,512	235,799
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Capital Assets	-	159,470
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Note Payable	(183,822)	(195,556)
Net Cash Used by Financing Activities	(183,822)	(195,556)
NET INCREASE IN CASH AND CASH EQUIVALENTS	48,690	199,713
Cash and Cash Equivalents - Beginning of Year	492,169	292,456
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 540,859	\$ 492,169

See accompanying Notes to Financial Statements.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Organization

Orange City Area Health System (Health System) is an administrative agency of the City of Orange City, Iowa, dba: Orange City Area Health System, organized under Chapter 392, Code of Iowa and as such is not subject to taxes on income or certain property. The Health System provides services primarily to residents of Orange City and the surrounding areas in Iowa.

Reporting Entity

For financial reporting purposes, the Health System has included all funds, organizations, account groups, agencies, boards, commissions, and authorities that are not legally separate. The Health System has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Health System are such that exclusion would cause the Health System's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Health System to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Health System. These criteria also include organizations that are fiscally dependent on the Health System.

Orange City Area Health Foundation (Foundation) is a legally separate, tax-exempt component unit of the Health System. It is organized under the provisions of the Internal Revenue Service Code Section 501(c)(3). The Foundation's financial statements have been included as a discretely presented component unit. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the Health System in support of its operations and programs. The Health System does not appoint a voting majority of the Foundation's board of directors or in any way impose its will over the Foundation. However, the Foundation is included as a discretely presented component unit due to the nature and significance of its relationship to the Health System.

Tax-Exempt Status

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

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

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The statements of net position display the Health System's assets, deferred outflows of resources, liabilities, and deferred inflows or 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, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position

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

Expendable – Expendable net position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

Basis of Presentation – Foundation

The Foundation reports information regarding its financial position and operations according to two classes of net assets depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Those resources over which the Foundation has discretionary control.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Foundation (Continued)

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. The gifts are reported net assets with restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets are released and reported as an increase in net assets without donor restrictions. Donor-restricted contributions whose restrictions are met within the same reporting period as received are recorded as unrestricted contributions.

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 Health System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

The Health System uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis, using the economic resources measurement focus. Based on GASB Codification Topic 1600, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Health System has elected not to apply provisions of any pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

The Foundation's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board (FASB). The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Use of Estimates

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

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Health System considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Patient Receivables

Patient receivables are reduced by an allowance for doubtful accounts. Patients and residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice, after payment by insurance, if any. In evaluating the collectability of patient accounts receivable, the Health System 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 uncollectible accounts. 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 and residents who have third-party coverage, the Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, 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 Health System records a significant provision for uncollectible accounts 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 rates (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. Accounts that are determined to be uncollectible are sent to a collection agency and written off at that time.

At June 30, 2020 and 2019, the allowance for doubtful accounts for self-pay patients was \$1,490,000 and \$1,740,000 respectively. The Health System's allowance for doubtful accounts for self-pay patients increased to 64% of self-pay accounts receivable at June 30, 2019, compared to 60% of self-pay accounts receivable at June 30, 2020. The Health System's self-pay write-offs increased approximately \$707,000 from approximately \$153,000 for fiscal year 2019 to approximately \$860,000 for fiscal year 2020. The decrease in the allowance for doubtful accounts was the result of a decrease in the overall self-pay balances at year-end due to low volumes near year-end due to COVID-19 pandemic. The Health System has not materially changed its charity care or uninsured discount policies during fiscal years 2020 or 2019.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income

The Health System's investments and the methods used in determining the reported amounts are as follows:

<u>Type</u>	<u>Method</u>
Interest-Earning Investment Contracts: Nonnegotiable Certificates of Deposit	Cost
Open-End Mutual Funds: Iowa Public Agency Investment Trust (IPAIT) (Governmental External Investment Pool Registered as an Investment Company)	Amortized Cost
Publicly Traded Mutual Funds	Fair Value Based on Quoted Market Prices
Debt Securities: Negotiable Certificates of Deposit and U.S. Government Agency Securities	
Maturity of One Year or Less When Purchased	Amortized Cost
Maturity of More than One Year When Purchased	Fair Value Based on Quoted Market Prices

The nonnegotiable certificates of deposit and U.S. government agency securities are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors. The debt securities with a remaining maturity of one year or less when purchased are also not significantly affected by the issuer's credit standing or by other factors.

Investment income includes interest and the net increase (decrease) in the fair value of investments which includes realized and unrealized gains and losses on investments. Investment income is reported as nonoperating gains.

Capital Assets

Capital asset acquisitions are recorded at cost. Capital assets donated for Health System operations are recorded as additions at fair value at the date of receipt.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Depreciation is computed using these assets lives:

Land Improvements	10 to 20 Years
Buildings and Fixed Equipment	5 to 40 Years
Major Movable Equipment	3 to 25 Years

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Unconditional contributions receivable are recorded as receivables and revenues in the year received.

Net Pension Liability

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

Deferred Outflows of Resources

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

Other Postemployment Benefits

For purposes of measuring the Other Postemployment Benefit (OPEB) liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on Orange City Area Health System's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statement of net position consists of other postemployment benefits items not yet charged to expense, unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, and home health deferred inflows.

Statements of Revenues, Expenses, and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses. Operating expenses are all expenses incurred to provide health care services.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Services Revenue

The Health System has agreements with third-party payors that provide for payments to the Health System at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments.

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

Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are restricted to a specific operating purpose are reported as operating revenues. Amounts that are unrestricted are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grant proceeds received where all eligibility requirements have not yet been met are presented as unearned grant revenue in the statements of net position.

Charity Care

To fulfill its mission of community service, the Health System provides care to patients and residents who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients and residents is recorded in the accounting system at the established rates, but the Health System does not pursue collection of the amounts. The resulting adjustments are recorded as adjustments to patient service revenue, depending on the timing of the charity determination.

Credit Policy

The Health System grants credit to patients, substantially all of whom are city residents or reside in the immediate vicinity.

Credit Risk

The Foundation had amounts on deposit with a financial institution in excess of FDIC insurance limits at various times throughout the year.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation – Foundation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Directly identifiable expenses are charged to programs and support services. Expenses relating to more than one function are allocated based upon management's judgement. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide overall support to the Organization.

Reclassifications

Certain items in the 2019 financial statements were reclassified for comparison purposes with the 2020 financial statements. The reclassifications did not result in a change in net position as previously reported.

Subsequent Events

The Foundation has evaluated subsequent events through November 13, 2020, which was the date the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.

NOTE 2 CHARITY CARE AND COMMUNITY BENEFITS

The Health System maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The amounts of charges foregone were \$294,450 and \$322,383 for the years ended June 30, 2020 and 2019, respectively. The estimated costs of the charges foregone, based upon an overall cost-to-charge ratio calculation, for the years ended June 30, 2020 and 2019 were approximately \$206,055 and \$205,908 respectively.

In addition, the Health System provides services to other medically indigent patients under certain government reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients, and for some services the payments are less than the cost of rendering the services provided.

The Health System also commits significant time and resources to endeavors and critical services which meet otherwise unfulfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable.

NOTE 3 DESIGNATED NET POSITION

Of the \$13,293,634 and \$15,118,436 of unrestricted net position at June 30, 2020 and 2019, respectively, the board of trustees has designated \$6,976,978 and \$8,623,037, respectively, for the acquisition of capital assets, deferred compensation, and self-insured health claims. Designated funds remain under the control of the board of trustees, which may at its discretion later use the funds for other purposes.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 4 NET PATIENT SERVICE REVENUE

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

Medicare

The Health System is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most inpatient and outpatient services at allowable cost plus 1%, less sequestration of 2%, with final settlement determined after submission of annual cost reports by the Health System and are subject to audits thereof by the Medicare fiscal intermediary. The Health System's Medicare cost reports have been settled by the Medicare fiscal intermediary through the year ended June 30, 2019.

Medicaid

Hospital

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology. The Health System is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health System and audits thereof by the Medicaid fiscal intermediary. The Health System's Medicaid cost reports have been processed by the Medicaid fiscal intermediary through June 30, 2017.

Effective April 1, 2016, Iowa Medicaid transitioned to three managed care organizations (MCO): United Healthcare, Amerigroup, and Amerihealth Caritas. During fiscal year 2018 Amerihealth Caritas dropped out of the plan and is no longer participating. The Health System is a participating provider with both organizations during fiscal years 2020 and 2019. Payment rates and methodology with each MCO are to mirror those that were previously paid by Iowa Medicaid. Effective July 1, 2019, United Healthcare is no longer a participating managed care organization, while Iowa Total Care has now entered the plan. The Health System is contracted with Iowa Total Care.

Nursing Home

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

Blue Cross

Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge using APR-DRGs. Outpatient services are reimbursed on a prospective basis based on groups of services called EAPGs.

Other Payors

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

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 4 NET PATIENT SERVICE REVENUE (CONTINUED)

Uninsured Patients

The Health System recognizes patient service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients and residents that do not qualify for charity care, the Health System recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Health System's uninsured patients and residents will be unable or unwilling to pay for the services provided. Thus, the Health System records a significant provision for uncollectible accounts related to uninsured patients and residents in the period the services are provided.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources, is as follows:

	<u>2020</u>	<u>2019</u>
Patient Service Revenue (Net of Contractual Allowances and Discounts) from:		
Third-Party Payors	\$ 43,477,110	\$ 42,039,152
Uninsured Patients	6,682,331	6,254,303
	<u>50,159,441</u>	<u>48,293,455</u>
Provision for Uncollectible Accounts	(407,041)	(540,835)
Net Patient Service Revenue Less Provision for Uncollectible Accounts	<u>\$ 49,752,400</u>	<u>\$ 47,752,620</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. For the year ended June 30, 2020, the Health System recognized less contractals of approximately \$62,000 due to changes in prior year estimates resulting from settled reports.

A summary of patient service revenue, contractual adjustments, and provision for bad debts for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total Patient Service Revenue	\$ 68,886,496	\$ 68,882,232
Revenue Adjustments:		
Medicare	(8,051,746)	(9,558,128)
Medicaid	(3,425,628)	(3,341,125)
Provision for Uncollectible Accounts	(407,041)	(540,835)
Commercial and Other	(7,249,681)	(7,689,524)
Total Contractual Adjustments and Uncollectible Accounts	<u>(19,134,096)</u>	<u>(21,129,612)</u>
Net Patient Service Revenue	<u>\$ 49,752,400</u>	<u>\$ 47,752,620</u>

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 CASH AND INVESTMENTS

The Health System's deposits at June 30, 2020 and 2019, which include bank balances, negotiable and nonnegotiable certificates of deposit, were covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Health System 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 or 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; warrants or improvement certificates of a drainage district; and common stocks.

As of June 30, 2020 and 2019, the Health System's investments are reported at fair value based upon quoted market prices except for the Iowa Public Agency Investment Trust which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 as follows:

	<u>2020</u>	<u>2019</u>
Investments		
Edward D. Jones & Co., Money Market Funds	\$ 164,222	\$ 11,950
Negotiable Certificates of Deposit	6,140,719	7,962,962
U.S. Government Agency Securities	4,159	4,438
Mutual Funds	645,714	584,425
Iowa Public Agency Investment Trust	104	100
Total	<u>\$ 6,954,918</u>	<u>\$ 8,563,875</u>

As of June 30, 2020, maturities on the Health System's investments are as follows:

	<u>Maturities</u>
Investments	
Edward D. Jones & Co., Money Market Funds	Daily
Negotiable Certificates of Deposit	11/24/20-10/03/31
U.S. Government Agency Securities	11/15/28-10/01/31
Mutual Funds	Daily
Iowa Public Agency Investment Trust	Daily

Included in the following statement of net position captions:

	<u>2020</u>	<u>2019</u>
Noncurrent Cash and Investments:		
Designated by Board for Plant Replacement and Expansion	\$ 5,672,429	\$ 7,045,343
Designated by Board for Deferred Compensation	645,714	584,425
Designated by Board for Self-Insured Health Insurance Claims	636,775	934,107
Total	<u>\$ 6,954,918</u>	<u>\$ 8,563,875</u>

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 CASH AND INVESTMENTS (CONTINUED)

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

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

The Health System's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Health System.

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

The Health System uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurements for the U.S. government agency securities and mutual funds were determined using last sales price at current exchange rates (Level 1 inputs).

The Health System had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

NOTE 6 PATIENT RECEIVABLES

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

	2020	2019
Receivable from Patients	\$ 2,562,153	\$ 2,899,668
Receivable from Wellmark	1,801,983	3,274,626
Receivable from Commercial Insurers and Other Payors	698,922	786,785
Receivable from Medicare	2,216,458	2,155,129
Receivable from Medicaid	1,267,983	1,041,655
Total Patient Receivables	<u>8,547,499</u>	<u>10,157,863</u>
Less Allowances for Contractual and Other Adjustments	<u>(3,505,000)</u>	<u>(4,165,000)</u>
Total	<u>\$ 5,042,499</u>	<u>\$ 5,992,863</u>

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 CAPITAL ASSETS

A summary of changes in the Health System's capital assets for the years ended June 30, 2020 and 2019 follows:

	June 30, 2019	Additions	(Retirements)	Transfers	June 30, 2020
Capital Assets					
Land	\$ 1,665,048	\$ -	\$ -	\$ -	\$ 1,665,048
Land Improvements	3,735,626	55,290	-	92,541	3,883,457
Buildings	19,498,774	-	-	618,198	20,116,972
Fixed Equipment	37,879,259	146,443	-	2,053,817	40,079,519
Major Movable Equipment	14,457,755	1,270,644	(344,329)	-	15,384,070
Construction in Progress	489,549	2,382,849	(70,254)	(2,764,556)	37,588
Total Capital Assets	<u>77,726,011</u>	<u>3,855,226</u>	<u>(414,583)</u>	<u>-</u>	<u>81,166,654</u>
Less Accumulated Depreciation and amortization	<u>(47,321,814)</u>	<u>(3,591,116)</u>	<u>285,577</u>	<u>-</u>	<u>(50,627,353)</u>
Total Capital Assets, Net	<u>\$ 30,404,197</u>	<u>\$ 264,110</u>	<u>\$ (129,006)</u>	<u>\$ -</u>	<u>\$ 30,539,301</u>
	June 30, 2018	Additions	(Retirements)	Transfers	June 30, 2019
Capital Assets					
Land	\$ 1,685,688	\$ -	\$ (20,640)	\$ -	\$ 1,665,048
Land Improvements	3,708,321	27,305	-	-	3,735,626
Buildings	19,339,306	159,468	-	-	19,498,774
Fixed Equipment	37,537,365	222,699	-	119,195	37,879,259
Major Movable Equipment	13,802,172	621,140	-	34,443	14,457,755
Construction in Progress	153,638	489,549	-	(153,638)	489,549
Total Capital Assets	<u>76,226,490</u>	<u>1,520,161</u>	<u>(20,640)</u>	<u>-</u>	<u>77,726,011</u>
Less Accumulated Depreciation and amortization	<u>(43,772,295)</u>	<u>(3,549,519)</u>	<u>-</u>	<u>-</u>	<u>(47,321,814)</u>
Total Capital Assets, Net	<u>\$ 32,454,195</u>	<u>\$ (2,029,358)</u>	<u>\$ (20,640)</u>	<u>\$ -</u>	<u>\$ 30,404,197</u>

Construction in progress for the year ended June 30, 2020, consists of costs for the Obstetric remodel. Remaining projects are expected to be paid through internal funds and new debt. Projects are expected to be completed during fiscal year 2021 with no remaining costs.

A summary of changes in the Foundation's property and equipment for the years ended June 30, 2020 and 2019 follows:

	June 30, 2019	Additions	(Retirements)	Transfers	June 30, 2020
Land	\$ 232,391	\$ -	\$ -	\$ -	\$ 232,391
Buildings and Fixtures	2,416,487	-	-	-	2,416,487
	2,648,878	-	-	-	2,648,878
Less Accumulated Depreciation	<u>(421,404)</u>	<u>(120,824)</u>	<u>-</u>	<u>-</u>	<u>(542,228)</u>
Total Capital Assets, Net	<u>\$ 2,227,474</u>	<u>\$ (120,824)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,106,650</u>
	June 30, 2018	Additions	(Retirements)	Transfers	June 30, 2019
Land	\$ 232,391	\$ -	\$ -	\$ -	\$ 232,391
Buildings and Fixtures	2,590,454	-	(173,967)	-	2,416,487
	2,822,845	-	(173,967)	-	2,648,878
Less Accumulated Depreciation	<u>(315,077)</u>	<u>(120,824)</u>	<u>14,497</u>	<u>-</u>	<u>(421,404)</u>
Total Capital Assets, Net	<u>\$ 2,507,768</u>	<u>\$ (120,824)</u>	<u>\$ (159,470)</u>	<u>\$ -</u>	<u>\$ 2,227,474</u>

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 8 PHYSICAL THERAPY ACQUISITION

On March 31, 2017 the Health System entered in to an asset purchase agreement to acquire the assets of an existing physical and occupational therapy practice, located in Orange City, Iowa, for \$1,500,000, and bring into the Health System to supplant the physical therapy department. In connection with this agreement, the Health System has recorded a \$1,470,250 asset within other assets in the accompanying statements of net position, which represents the purchase price less \$29,750 of identified items that have been expensed, and the balance is being amortized over ten years. The Health System paid \$375,000 to the seller upon execution of the agreement, and is obligated for three remaining annual payments of \$375,000 through June 30, 2020. The remaining balance as of June 30 2020 and 2019 was \$-0- and \$375,000, respectively, with the full balance being paid as of year-end.

NOTE 9 OTHER ASSETS - FOUNDATION

The Foundation invested \$50,000 in a limited liability company (LLC) during the year ended June 30, 2015, which represents an approximately 1.9% ownership in the LLC. This LLC was established to invest in a new hotel that has been built adjacent to the Health System's campus. This asset's book value was \$38,691 during the years ended June 30, 2020 and 2019.

NOTE 10 LEASE AGREEMENT

During May 2015, the Health System entered into a lease with the Foundation in order to occupy as a tenant and for the use of twelve independent living units constructed at Landsmeer Ridge Retirement Community. The term of the lease covers the period from June 1, 2015 through May 31, 2025, and calls for annual payments of \$205,500 due on the first day of June, beginning June 2017 through the end of the lease. In connection with the execution of the lease, the Health System remitted to the Foundation \$555,617, as a deposit on this lease. The tenant will also be required for certain ongoing operating expenses, as defined in the lease, through the lease term. The Foundation received rental income totaling \$240,064 and \$241,038 on this lease during the years ended June 30, 2020 and 2019, respectively. The lease contains an option to purchase aforementioned living units, and related land, on May 31, 2025 for \$2,260,000.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 11 LONG-TERM DEBT

A schedule of changes in long-term debt for the years ended June 30 2020 and 2019 is as follows:

	Balance June 30, 2019	Additions	(Payments) & Amortization	Balance June 30, 2020	Due Within One Year
Hospital Revenue Notes	\$ 18,271,617	\$ -	\$ (1,527,002)	\$ 16,744,615	\$ 1,571,942
Total Long-Term Debt	<u>\$ 18,271,617</u>	<u>\$ -</u>	<u>\$ (1,527,002)</u>	16,744,615	<u>\$ 1,571,942</u>
Less Current Maturities				(1,571,942)	
Long-Term Debt (Less Current Maturities)				<u>\$ 15,172,673</u>	
	Balance June 30, 2018	Additions	(Payments) & Amortization	Balance June 30, 2019	Due Within One Year
Hospital Revenue Notes	\$ 19,753,225	\$ -	\$ (1,481,608)	\$ 18,271,617	\$ 1,526,400
Total Long-Term Debt	<u>\$ 19,753,225</u>	<u>\$ -</u>	<u>\$ (1,481,608)</u>	18,271,617	<u>\$ 1,526,400</u>
Less Current Maturities				(1,526,400)	
Long-Term Debt (Less Current Maturities)				<u>\$ 16,745,217</u>	

Schedule principal and interest payments on long-term debt are as follows:

Year Ending June 30,	Principal	Long-Term Debt Interest	Total
2021	\$ 1,571,942	\$ 473,828	\$ 2,045,770
2022	1,642,859	426,400	2,069,259
2023	1,699,164	376,944	2,076,108
2024	1,591,252	327,188	1,918,440
2025	1,450,000	281,888	1,731,888
2026-2030	7,935,000	758,524	8,693,524
2031	854,398	12,194	866,592
Total	<u>\$ 16,744,615</u>	<u>\$ 2,656,966</u>	<u>\$ 19,401,581</u>

Hospital Revenue Capital Loan Note Series 2012

The City Council of Orange City adopted a resolution authorizing the issuance of \$6,000,000 of Hospital Revenue Refunding Capital Loan Notes Series 2012, to finance constructing and equipping Prairie Ridge Care Center. The notes contain an interest reset provision which began on June 1, 2019, and will adjust on June 1 every five years subsequent thereto, in which the interest rate will be adjusted to a product of 3% above the constant maturity of the United States 5-year Treasury Note as published by *The Wall Street Journal*, multiplied by .65%, subject to an interest rate cap of 9.5% and a floor of 3.5%. The interest rate at June 30, 2020 is 3.5%. The notes may be called for redemption by the issuer and paid before maturity on any date, in whole or part, and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call. The balance outstanding at June 30, 2020 and 2019 is \$1,134,614 and \$1,431,617, respectively.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 11 LONG-TERM DEBT (CONTINUED)

Capital Loan Note Series 2015

The City Council of Orange City adopted a resolution on April 6, 2015 authorizing the issuance of Hospital Revenue Refunding Capital Loan Note Series 2015 and issued the notes December 22, 2015. The 2015 Note Series proceeds was not to exceed \$17,000,000, and was used by the Hospital to advance refund the outstanding 2008 Note Series bonds and pay certain costs related to the issuance. Interest payments of 2.8524% became payable March 1, 2017 and are due semi-annually every March and September until the note is paid in full. Principal payments began March 1, 2019 and occur semi-annually every March and September through September 1, 2030. The remaining principal balance related to the 2015 notes as of June 30, 2020 and 2019 was \$15,610,000 and \$16,840,000, respectively.

The Hospital Revenue Refunding Capital Loan Notes above are secured by substantially all revenues of the Health System. The provisions of the note agreements contain various restrictive covenants and limitations on additional debt. Management believe the Health System is in compliance with these requirements as of June 30, 2020.

Rural Economic Development Loan and Grant Program - Foundation

The Foundation has entered into a noninterest term loan agreement with the City of Orange City Municipal Electric Utility, a Division of the City of Orange City, through the United States Rural Economic Development Loan and Grant Program. The purpose of the loan was to finance the construction of a twelve-unit independent living addition at Landsmeer Ridge Retirement Community. The \$1,760,000 unsecured loan, dated February 26, 2016, calls for monthly payment of \$16,297 beginning March 1, 2017 and continuing until February of 2026. Remaining principal balance related to the Rural Economic Development Loan and Grant Program as of June 30, 2020 and 2019 was \$1,091,852 and \$1,287,407, respectively.

Scheduled principal payments on long-term debt for the Foundation are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2021	\$ 195,564
2022	195,564
2023	195,564
2024	195,564
2025	195,564
Thereafter	114,032
Total	<u>\$ 1,091,852</u>

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 PENSION PLAN

Plan Description

IPERS membership is mandatory for employees of the Health System, except for those covered by another retirement system. Employees of the Health System are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the 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 members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally at age 55. The formula used to calculate a protection occupation member's monthly IPERS benefits includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.50% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year salary.

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

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 PENSION PLAN (CONTINUED)

Pension Benefits (Continued)

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

Disability and Death Benefits

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

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate to 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 based on a 30-year amortization period. The payment to amortize the unfunded actuarial is determined as a level percentage of your 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 Health System contributed 9.44% of covered payroll for a total rate of 15.73%. Protective occupation members contributed 6.61% and 6.81%, respectively, of covered payroll during the years ended June 30, 2020 and 2019, and the Hospital contributed 9.91% and 10.21%, respectively, of covered payroll for a total rate of 16.52% and 17.02%, respectively.

The Health System's contribution to IPERS for the years ended June 30, 2020 and 2019 were \$2,160,610 and \$2,085,002, respectively.

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

At June 30, 2020 and 2019, the Health System reported a liability of \$16,596,826 and \$16,670,713, respectively, for its proportionate share of the net pension liability. The Health System's net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 PENSION PLAN (CONTINUED)

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

The Health System's proportion of the net pension liability was based on the Health System's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019 the Health System's collective proportion was .285034% which was an increase of .0215% from its proportion measured as of June 30, 2018. At June 30, 2019 The Health System's proportion for the protection service group was .063639% which was an increase of .000493% from its proportion measured as of June 30, 2018.

For the years ended June 30, 2020 and 2019, the Health System recognized pension expense of \$3,058,164 and \$2,111,133, respectively. At June 30, 2020 and 2019, the Health System's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 47,571	\$ 598,162
Changes of Assumptions	1,795,696	626
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,895,504
Changes in Proportion and Differences Between Organization Contributions and Proportionate Share of Contributions	1,368,625	2,204
Organization Contributions Subsequent to the Measurement Date	2,160,610	-
Total	\$ 5,372,502	\$ 2,496,496
June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 91,931	\$ 378,522
Changes of Assumptions	2,400,919	820
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	464,778
Changes in Proportion and Differences Between Organization Contributions and Proportionate Share of Contributions	539,392	4,870
Organization Contributions Subsequent to the Measurement Date	2,085,002	-
Total	\$ 5,117,244	\$ 848,990

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 PENSION PLAN (CONTINUED)

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

\$2,160,610 and \$2,085,002 reported as deferred outflows of resources related to pensions resulting from Health System 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:

<u>Year Ending June 30,</u>	<u>2020 Amount</u>	<u>2019 Amount</u>
2020	\$ -	1,326,728
2021	731,940	747,918
2022	(53,846)	19,473
2023	19,062	82,953
2024	(59,222)	6,180
2025	77,462	-
Total	<u>\$ 715,396</u>	<u>\$ 2,183,252</u>

There were no nonemployer contributing entities at IPERS.

Actuarial Assumptions

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

Rate of Inflation (Effective June 30, 2017)	2.60% Per Annum
Rates of Salary Increase (Effective June 30, 2017)	3.25 to 16.25% Average, Including Inflation Rates Vary by Membership Group
Long-Term Investment Rate of Return (Effective June 30, 2017)	7.00%, Compounded Annually, Net of Investment Expense, Including Inflation
Wage Growth (Effective June 30, 2017)	3.25% Per Annum Based on a 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 actuarial experience study dated March 24, 2017 and a demographic assumption dated June 28, 2018.

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

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

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	22.0 %	5.60 %
International Equity	15.0	6.08
Global Smart Beta Equity	3.0	5.82
Core Plus Fixed Income	27.0	1.71
Public Credit	3.5	3.32
Public Real Assets	7.0	2.81
Cash	1.0	(0.21)
Private Equity	11.0	10.13
Private Real Assets	7.5	4.76
Private Credit	3.0	3.01
Total	<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 employee contributions will be made at the contractually required rate and contributions from the Health System will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Health System's proportionate share of the net pension liability as of June 30, 2020 and 2019, calculated using the discount rate of 7.00% as well as what the Health System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

June 30, 2020	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Organization's Proportionate Share of the Net Pension Liability	\$ 29,628,084	\$ 16,596,826	\$ 5,666,499
June 30, 2019	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Organization's Proportionate Share of the Net Pension Liability	\$ 28,429,238	\$ 16,670,713	\$ 6,807,252

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2020 and 2019 the Health System reported payables to the defined benefit pension plan of \$156,765 and \$350,155, respectively, for legally required employer contributions and employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 13 EMPLOYEE BENEFITS

The Health System has a self-insured health insurance program for all employees. Claims for health care services covered under the program for employees and their families are accrued when incurred. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$50,000 per person and approximately \$4,000,000 in the aggregate per plan year. Expense under this self-insurance program for the years ended June 30, 2020 and 2019 was approximately \$3,846,000 and \$2,913,000, respectively, which includes program administrative expenses. A liability of \$1,100,000 and \$1,100,000 has been established to record the incurred but not reported claims outstanding as of June 30, 2020 and 2019, respectively.

In 2002, the Health System established a Key Employee Share Option Program (KEYSOP) which is a nonqualified voluntary contributory savings plan for certain employees. During the year ended June 30, 2003, the Health System established a Voluntary Deferral Plan which is also a nonqualified voluntary contributory savings plan for certain employees. Under these programs, the Health System purchases and holds investment assets, recorded at fair value, equal to the participant's voluntary contributions. As a result, the Health System has recorded an asset and an equal corresponding liability of \$645,714 and \$584,425 to reflect the fair value of these program assets as of June 30, 2020 and 2019, respectively, and related liability to participants.

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Benefits

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

Retired participants must be age 55 or older at retirement. At June 30, 2020 and 2019, the following employees were covered by the benefit terms:

	2020	2019
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	7	7
Active Employees	421	421
Total	428	428

Total OPEB Liability

The Health System's total OPEB liability of \$386,160 and \$349,921 was measured as of June 30, 2020 and 2019, respectively, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Rate of Inflation (Effective June 30, 2019)	2.60% Per Annum
Rates of Salary Increase (Effective June 30, 2019)	Varying Rates by Years of Service from 3.25% to 16.25%
Discount Rate (Effective June 30, 2020)	2.21% Compounded Annually, Including Inflation
Healthcare Cost of Trend Rate (Effective June 30, 2019)	7.00% Initial Rate Decreasing by 0.25% Annually to an Ultimate Rate of 4.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average of AA/Aa or higher as of the measurement date.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Annual retirement probabilities are based on varying rates by age.

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

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

	2020 Total OPEB Liability	2019 Total OPEB Liability
	<u> </u>	<u> </u>
Total OPEB Liability Beginning of Year	\$ 349,921	\$ 328,855
Changes of the Year:		
Service Cost	22,991	22,561
Interest	12,466	13,377
Differences Between Expected and Actual Experiences	-	56,695
Changes in Assumptions	34,553	(35,738)
Benefit Payments	<u>(33,771)</u>	<u>(35,829)</u>
Net Changes	36,239	21,066
Total OPEB Liability End of Year	<u>\$ 386,160</u>	<u>\$ 349,921</u>

Change of assumptions reflect a change in the discount rate from 3.50% in fiscal year 2019 to 2.21% in fiscal year 2020.

Sensitivity of the Health System's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Health System as of June 30, 2020 and 2019, as well as what the Health System's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.21%, 2.50%) or 1% higher (3.21%, 4.50%) than the current discount rate.

June 30, 2020	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
	<u> </u>	<u> </u>	<u> </u>
Total OPEB Liability	\$ 414,397	\$ 386,160	\$ 359,133
June 30, 2019	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
	<u> </u>	<u> </u>	<u> </u>
Total OPEB Liability	\$ 375,314	\$ 349,921	\$ 326,041

Sensitivity of the Health System's Total OPEB Liability to Changes in the Healthcare Cost Trend

The following presents the total OPEB liability of the Health System as of June 30, 2020 and 2019, as well as what the Health System's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.5%, 6.0%) or 1% higher (7.5%, 8.0%) than the current healthcare cost trend rates.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Health System's Total OPEB Liability to Changes in the Healthcare Cost Trend (Continued)

June 30, 2020	1% Decrease <u>(0%, 5.75% to 3%)</u>	Discount Rate <u>(0%, 6.75% to 4%)</u>	1% Increase <u>(0%, 7.75% to 5%)</u>
Total OPEB Liability	\$ 334,531	\$ 386,160	\$ 449,355
June 30, 2019	1% Decrease <u>(0%, 6% to 3%)</u>	Discount Rate <u>(0%, 7.00% to 4%)</u>	1% Increase <u>(0%, 8.00% to 5%)</u>
Total OPEB Liability	\$ 309,978	\$ 349,921	\$ 398,147

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2020 and 2019, the Health System recognized OPEB expense of \$41,121 and \$37,516, respectively. At June 30, 2020 and 2019, the Organization reported deferred inflows of resources related to OPEB from the following sources:

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 43,057	\$ -
Changes in Assumptions	30,467	31,390
Total	<u>\$ 73,524</u>	<u>\$ 31,390</u>
June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 49,876	\$ -
Changes in Assumptions	-	36,631
Total	<u>\$ 49,876</u>	<u>\$ 36,631</u>

The amount reported as deferred inflows of resources related to OPEB will be recognized against OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>2020 Amount</u>	<u>2019 Amount</u>
2020	\$ -	\$ 1,578
2021	5,664	1,578
2022	5,664	1,578
2023	5,664	1,578
2024	5,664	1,578
2025	6,124	1,578
Thereafter	13,354	3,777
Total	<u>\$ 42,134</u>	<u>\$ 13,245</u>

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 15 MALPRACTICE CLAIMS

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

The Health System has an open litigation matter, which would be covered under the malpractice insurance coverage above, although subject to the per claim limitation. It is too early in the process for management to estimate the outcome of the case and, therefore, no liability or related insurance recoverable have been recorded in the financial statements. The Health System continues to vigorously defend the matter. Outside of the specific litigation matter above, the Health System is from time to time subject to claims and suits alleging malpractice. In the opinion of management, the ultimate cost, if any, related to the resolution of such pending legal proceedings will be within the limits of insurance coverage and, accordingly, will not have a significant effect on the financial position or the results of operations of the Health System.

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

NOTE 16 RISK MANAGEMENT

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

NOTE 17 LEASE COMMITMENTS AND SPACE LEASED TO OTHERS

The Health System leases various medical equipment, building space, and a vehicle under noncancelable leases. These leases require monthly payments through various termination dates from June 2021 through May 2025. This includes the lease agreement with the Foundation for building space as explained at Note 10. Total equipment and building rental expense for the years ended June 30, 2020 and 2019 was \$431,054 and \$433,012, respectively.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 17 LEASE COMMITMENTS AND SPACE LEASED TO OTHERS (CONTINUED)

The minimum future rentals under the leases as of June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 444,734
2022	278,416
2023	272,424
2024	204,216
2025	179,667
Total	<u>\$ 1,379,457</u>

The Health System, through various agreements, leases office space within the downtown campus to various organizations. The leases, which are for various terms, each call for lease rents per tenant, subject to certain modifications during the lease period. Other revenue for the years ended June 30, 2020 and 2019 included \$282,508 and \$299,417, respectively, of aggregate rental income under the lease agreements.

NOTE 18 ORANGE CITY AREA HEALTH FOUNDATION

The Health System's management has determined that the Orange City Area Health Foundation is a component unit of the Health System. The Orange City Area Health Foundation has been established to raise funds to support the operations and other activities of the Orange City Municipal Hospital. The Foundation has received funds and secured contribution commitments in a capital campaign to benefit the Health System's construction of a replacement nursing home facility. As such, the Foundation is considered to be a component unit of the Health System based upon the significance of this capital campaign and the related benefit to the Health System. The Foundation made restricted contributions of \$35,500 and \$25,055 to the Health System for the years ended June 30, 2020 and 2019, respectively. The Foundation's audited statements of financial position as of June 30, 2020 and 2019, and audited statement of activities and cash flows for the years then ended, are included on pages 16 through 19.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 19 FUNCTIONAL EXPENSES

Program, general, and fundraising expenses for the Foundation for the years ended June 30 are as follows

June 30, 2020	Program Services	Management and General	Fundraising and Development	Total
Contributions and Expenses	\$ 35,500	\$ -	\$ -	\$ 35,500
Fundraising Events	-	-	13,967	13,967
Depreciation	120,824	-	-	120,824
Miscellaneous	-	102	-	102
Interest	-	11,733	-	11,733
Total	<u>\$ 156,324</u>	<u>\$ 11,835</u>	<u>\$ 13,967</u>	<u>\$ 182,126</u>

June 30, 2019	Program Services	Management and General	Fundraising and Development	Total
Contributions and Expenses	\$ 25,055	\$ -	\$ -	\$ 25,055
Fundraising Events	-	-	3,148	3,148
Depreciation	120,824	-	-	120,824
Interest	-	13,689	-	13,689
Total	<u>\$ 145,879</u>	<u>\$ 13,689</u>	<u>\$ 3,148</u>	<u>\$ 162,716</u>

The Foundation identifies costs directly to program, support, or fundraising functions as invoices are received.

NOTE 20 LIQUIDITY AND AVAILABILITY

As of June 30, 2020 and 2019, the Foundation has working capital of \$147,201 and \$68,178, respectively and average day's cash on hand (based on normal expenditures) of 3,220 and 4,288, respectively.

Financial assets available for general expenditures within one year of the balance sheet consist of the following:

	2020	2019
Financial Assets at Year-End:		
Cash	<u>\$ 540,859</u>	<u>\$ 492,169</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and liabilities come due.

**ORANGE CITY AREA HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 21 COVID-19 PANDEMIC IMPACTS

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Health Center, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Medical Center is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of June 30, 2020.

As part of the Health Center's response to the COVID-19 pandemic it received payments from the CARES Act Provider Relief Fund (PRF), which is administered by the U.S. Department of Health and Human Services (HHS). The Health Center received Provider Relief Funds in the amount of \$5,485,044, made up of \$991,695 from the General Distribution and \$4,493,349 from Targeted Distributions. The PRF payments are subject to terms and conditions and can generally be used to prevent, prepare for, and respond to coronavirus through reimbursement of health care related expenses or lost revenues attributable to coronavirus. The PRF funds are also subject to certain reporting and audit requirements. Subsequent to year-end, HHS released detailed reporting requirements related to the PRF, which the Health Center has taken into consideration when recognizing revenue related to the PRF. Reporting includes required data elements around eligible expenses, lost revenue, and other data points through the calendar year ended December 31, 2020, with a deadline of February 15, 2021. The Health Center has recognized revenue of \$398,368 for eligible expenses for the year ended June 30, 2020. The revenue recognized is included with noncapital grants and contributions in the statement of revenues, expenses, and changes in net position. PRF funds received but not recognized totaling \$5,086,676 as of June 30, 2020 are presented as unearned grant revenue in the statement of net position. Management believes the amounts have been recognized appropriately as of June 30, 2020 based on guidance released to date by HHS, although guidance from HHS continues to evolve subsequent to year-end.

REQUIRED SUPPLEMENTARY INFORMATION

**ORANGE CITY AREA HEALTH SYSTEM
 BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2020
 (SEE INDEPENDENT AUDITORS' REPORT)**

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the board of trustees annually adopts a budget which is filed with the City Clerk of Orange City to be included in the official city budget. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures.

The following is a comparison of reported amounts to the accrual basis budget for the year ended June 30, 2020 (Health System only, excluding Foundation).

	<u>Total Per Hospital Statements</u>	<u>Budgeted Amount</u>	<u>Amount Over (Under) Budget</u>
Total Expenses Including Interest and Amortization Expense	<u>\$ 56,212,618</u>	<u>\$ 54,971,452</u>	<u>\$ 1,241,166</u>

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULE OF THE HEALTH SYSTEM'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE LAST SIX YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Health System's Regular Proportion of the Net Pension Liability	0.285034%	0.263534%	0.258316%
Health System's Protection Proportion of the Net Pension Liability	0.063639%	0.063146%	0.052009%
Health System's Proportionate Share of the Net Pension Liability	\$ 16,597	\$ 16,671	\$ 17,063
Health System's Covered Payroll	\$ 23,948	\$ 22,563	\$ 20,070
Health System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	69.30%	73.88%	85.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.45%	83.62%	82.21%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Health System's Regular Proportion of the Net Pension Liability	0.249607%	0.250019%	0.249212%
Health System's Protection Proportion of the Net Pension Liability	0.051690%	0.516030%	0.051755%
Health System's Proportionate Share of the Net Pension Liability	\$ 15,708	\$ 12,352	\$ 10,045
Health System's Covered Payroll	\$ 19,018	\$ 18,605	\$ 17,815
Health System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	82.60%	66.39%	56.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 year.

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULE OF THE HEALTH SYSTEM'S PENSION CONTRIBUTIONS (UNAUDITED)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE LAST TEN YEARS
(IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily Required Contribution	\$ 2,161	\$ 2,085	\$ 1,794	\$ 1,672	\$ 1,616
Contributions in Relation to the Statutorily Required Contribution	<u>2,161</u>	<u>2,085</u>	<u>1,794</u>	<u>1,672</u>	<u>1,616</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Health System's Covered Payroll	\$ 23,948	\$ 22,563	\$ 20,070	\$ 19,018	\$ 18,605
Contributions as a Percentage of Covered Payroll	9.0%	9.2%	8.9%	8.8%	8.7%

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULE OF THE HEALTH SYSTEM'S PENSION CONTRIBUTIONS (UNAUDITED)
(CONTINUED)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE LAST TEN YEARS
(IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)**

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,559	\$ 1,505	\$ 1,416	\$ 1,263	\$ 1,064
<u>1,559</u>	<u>1,505</u>	<u>1,416</u>	<u>1,263</u>	<u>1,064</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 17,815	\$ 17,561	\$ 16,778	\$ 16,443	\$ 15,383
8.8%	8.6%	8.4%	7.7%	6.9%

ORANGE CITY AREA HEALTH SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY (UNAUDITED)
JUNE 30, 2020

NOTE 1 PENSION LIABILITY

Changes of Benefit Terms

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

Changes of Assumptions

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

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

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

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the unfunded actuarial liability (UAL) beginning June 30, 2016. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

ORANGE CITY AREA HEALTH SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY (UNAUDITED)
JUNE 30, 2020

NOTE 1 PENSION LIABILITY (CONTINUED)

Changes of Assumptions (Continued)

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

- Adjusted retiree mortality assumption.
- 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.

ORANGE CITY AREA HEALTH SYSTEM
SCHEDULE OF CHANGES IN THE HEALTH SYSTEM'S TOTAL OPEB LIABILITY,
RELATED RATIOS, AND NOTES (UNAUDITED)
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	2020	2019
Service Cost	\$ 22,991	\$ 22,561
Interest Cost	12,466	13,377
Difference Between Expected and Actual Experiences	-	56,695
Changes in Assumptions	34,553	(35,738)
Benefit Payments	(33,771)	(35,829)
Net Change in Total OPEB Liability	36,239	21,066
Total OPEB Liability Beginning of Year	349,921	328,855
Total OPEB Liability End of Year	\$ 386,160	\$ 349,921
Covered-Employee Payroll	\$ 18,374,624	\$ 19,051,346
Total OPEB Liability as a Percentage of Covered Employee Payroll	2.10%	1.84%

NOTE 1 OPEB LIABILITY

Change in Benefit Terms

There were no significant changes in benefit terms.

Changes in Assumptions

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020 – 2.21%
Year ended June 30, 2019 – 3.50%
Year ended June 30, 2018 – 3.87%
Year ended June 30, 2017 – 3.58%

SUPPLEMENTARY INFORMATION

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF PATIENT RECEIVABLES, ALLOWANCES
FOR DOUBTFUL ACCOUNTS, AND COLLECTION STATISTICS (UNAUDITED)
YEARS ENDED JUNE 30 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

Analysis of Aging

Age of Accounts (by Date of Discharge)	June 30, 2020		June 30, 2019	
	Amount	Percent	Amount	Percent
30 Days or Less	\$ 4,746,760	55.53 %	\$ 4,869,077	47.93 %
31-60 Days	830,999	9.72	1,327,221	13.07
61-90 Days	327,913	3.84	750,351	7.39
91 Days and Over	2,641,827	30.91	3,211,214	31.61
Total Accounts Receivable	<u>8,547,499</u>	100.00	<u>10,157,863</u>	100.00
Less: Allowances				
Allowance for Doubtful Accounts	1,490,000		1,740,000	
Allowance for Contractual Adjustments	<u>2,015,000</u>		<u>2,425,000</u>	
Net Accounts Receivable	<u>\$ 5,042,499</u>		<u>\$ 5,992,863</u>	

Analysis of Allowance for Doubtful Accounts for the Years Ended June 30, 2019 and 2018:

	2020	2019
Beginning Balance	\$ 1,740,000	\$ 1,050,000
Add:		
Provision for Uncollectible Accounts	407,041	540,835
Recoveries Previously Written-Off	202,730	301,752
	<u>609,771</u>	<u>842,587</u>
Less:		
Accounts Written-Off	<u>(859,771)</u>	<u>(152,587)</u>
Ending Balance	<u>\$ 1,490,000</u>	<u>\$ 1,740,000</u>

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF INVENTORIES
YEARS ENDED JUNE 30 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2020</u>	<u>2019</u>
General Stores	\$ 296,197	\$ 284,236
Pharmacy	46,487	51,986
Central Supply	38,977	34,468
Operating Room	89,909	91,122
Radiology	5,938	5,632
Medical Clinics	102,188	86,178
Total Inventory	<u>\$ 579,696</u>	<u>\$ 553,622</u>

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)
YEAR ENDED JUNE 30 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

Cincinnati Insurance Company (Policy Expiration June 30, 2020)	
Building and Contents, Builders Risk, Fire and Extended Coverage (100% Co-insurance, Replacement Value, and Special Causes of Loss)	\$ 79,004,440
Downtown Campus (80% Co-insurance, Actual Cash Value, and Special Causes)	\$ 6,323,320 \$5,000 deductible
Blanket earnings and expense	\$ 34,409,521
Owned Automobiles	
Liability	\$1,000,000
Collision and comprehensive	\$1,000 deductible
Uninsured/Underinsured Motorist	\$1,000,000
Medical payments	\$5,000
Blanket Fidelity Bond	
Employees	\$150,000 \$2,500 deductible
Accounts Receivable Records	\$1,000,000 \$5,000 deductible
Equipment Floater - Ambulances	\$85,000
Equipment Floater - Tractors & Movers	\$132,214
Cincinnati Insurance Company (Policy Expiration July 1, 2020)	
Directors, officers, and hospital staff liability	\$1,000,000 \$15,000 deductible
Cyber Liability	\$3,000,000
Employment Practices Liability	\$1,000,000 \$25,000 deductible
ProAssurance Casualty Company (Policy Expiration July 1, 2020)	
Employee Benefit Liability	\$1,000,000
Professional Liability - Hospital	\$1,000,000/3,000,000
Professional Liability - Physicians	\$1,000,000/3,000,000
General Liability	\$1,000,000/3,000,000
Excess Professional Liability	\$5,000,000
Excess Liability Hospital	\$5,000,000
United Wisconsin Insurance Company (Policy Expiration April 1, 2021)	
Workers' Compensation	\$500,000
The summary of insurance coverage is presented on the basis of information obtained from policies on file at the Health System.	

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

	Total		Inpatient	
	2020	2019	2020	2019
PATIENT SERVICE REVENUE				
Medical, Surgical, and Obstetric	\$ 4,683,134	\$ 4,909,994	\$ 2,453,502	\$ 2,711,339
Special Care	48,825	47,775	48,825	47,775
Long-Term Care	7,920,016	7,402,207	-	-
Nursery	405,555	370,575	405,555	370,514
Total Patient Service Revenue	<u>13,057,530</u>	<u>12,730,551</u>	<u>2,907,882</u>	<u>3,129,628</u>
OTHER NURSING SERVICES				
Operating and Recovery Room	6,474,783	6,765,895	768,071	933,297
Central Service and Supply	936,056	1,109,647	340,310	551,579
Emergency Services	2,471,540	2,514,640	78,486	88,881
Ambulance	690,406	728,700	48,559	66,381
Home Health	1,014,376	1,016,491	-	-
Hospice	778,299	547,738	778,299	547,738
	<u>12,365,460</u>	<u>12,683,111</u>	<u>2,013,725</u>	<u>2,187,876</u>
OTHER PROFESSIONAL SERVICES				
Laboratory	4,886,723	4,846,159	506,936	541,073
Radiology	7,791,246	8,436,302	292,519	321,121
Pharmacy	7,239,633	6,296,510	915,743	1,100,025
Anesthesiology	2,026,722	2,140,812	435,346	415,765
Respiratory Therapy and Oxygen	148,645	221,757	59,979	92,418
Physical Therapy	3,082,852	3,326,253	145,291	217,262
Cardio Pulmonary	983,523	1,129,821	26,901	27,584
Pulmonary Rehabilitation	17,499	21,776	-	97
Speech Therapy	100,520	87,203	4,179	4,226
Audiology	39,041	39,365	-	-
Orange City Medical Clinic	13,084,113	13,196,365	-	-
Hospers Medical Clinic	500,870	471,474	-	-
Paullina Medical Clinic	763,884	824,277	-	-
Specialty Clinics	1,126,097	953,407	-	-
Urgent Care/Walk-in Clinic	297,990	-	-	-
Surgery	1,668,598	1,799,472	-	-
Total Other Professional Service Revenue	<u>43,757,956</u>	<u>43,790,953</u>	<u>2,386,894</u>	<u>2,719,571</u>
Gross Patient and Resident Charges	69,180,946	69,204,615	<u>\$ 7,308,501</u>	<u>\$ 8,037,075</u>
Charity Care	<u>(294,450)</u>	<u>(322,383)</u>		
Total Patient Service Revenues	68,886,496	68,882,232		
CONTRACTUAL ADJUSTMENTS				
Medicare	(8,051,746)	(9,558,128)		
Medicaid	(3,425,628)	(3,341,125)		
Commercial and Other	<u>(7,249,681)</u>	<u>(7,689,524)</u>		
Total Contractual Adjustments	<u>(18,727,055)</u>	<u>(20,588,777)</u>		
Patient Service Revenues, Net of Contractual Adjustments	50,159,441	48,293,455		
Provision for Uncollectible Accounts	<u>(407,041)</u>	<u>(540,835)</u>		
Net Patient Service Revenues	<u>\$ 49,752,400</u>	<u>\$ 47,752,620</u>		

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF PATIENT SERVICE REVENUE (CONTINUED)
YEARS ENDED JUNE 30 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

Outpatient		Swing Bed		Intermediate Care Unit	
2020	2019	2020	2019	2020	2019
\$ 2,228,562	\$ 2,196,850	\$ 1,070	\$ 1,805	\$ -	\$ -
-	-	-	-	-	-
-	-	610,205	546,150	7,309,811	6,856,057
-	61	-	-	-	-
<u>2,228,562</u>	<u>2,196,911</u>	<u>611,275</u>	<u>547,955</u>	<u>7,309,811</u>	<u>6,856,057</u>
5,701,176	5,829,722	5,536	2,876	-	-
589,553	550,582	6,193	7,486	-	-
2,393,054	2,425,759	-	-	-	-
641,847	662,319	-	-	-	-
1,014,376	1,016,491	-	-	-	-
-	-	-	-	-	-
<u>10,340,006</u>	<u>10,484,873</u>	<u>11,729</u>	<u>10,362</u>	<u>-</u>	<u>-</u>
4,332,361	4,254,123	47,426	50,963	-	-
7,485,033	8,101,056	13,694	14,125	-	-
6,076,166	4,889,528	181,892	233,449	65,832	73,508
1,590,419	1,724,397	957	650	-	-
84,692	110,135	3,974	19,204	-	-
2,673,346	2,863,216	264,215	245,775	-	-
950,584	1,096,759	6,038	5,478	-	-
17,499	21,679	-	-	-	-
90,583	77,660	5,758	5,317	-	-
39,041	39,365	-	-	-	-
13,084,113	13,196,365	-	-	-	-
500,870	471,474	-	-	-	-
763,884	824,277	-	-	-	-
1,126,097	953,407	-	-	-	-
297,990	-	-	-	-	-
1,668,598	1,799,472	-	-	-	-
<u>40,781,276</u>	<u>40,422,913</u>	<u>523,954</u>	<u>574,961</u>	<u>65,832</u>	<u>73,508</u>
<u>\$ 53,349,844</u>	<u>\$ 53,104,697</u>	<u>\$ 1,146,958</u>	<u>\$ 1,133,278</u>	<u>\$ 7,375,643</u>	<u>\$ 6,929,565</u>

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF ADJUSTMENTS TO PATIENT
SERVICE REVENUES AND OTHER OPERATING REVENUES
YEARS ENDED JUNE 30 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2020</u>	<u>2019</u>
ADJUSTMENTS TO PATIENT SERVICE REVENUE		
Contractual Adjustments and Discounts	\$ 18,727,055	\$ 20,588,777
Provision for Uncollectible Accounts	407,041	540,835
Total Revenue Adjustments	<u>\$ 19,134,096</u>	<u>\$ 21,129,612</u>
	<u>2020</u>	<u>2019</u>
OTHER OPERATING REVENUES		
Cafeteria	\$ 210,482	\$ 236,138
Other	1,870,441	1,376,666
Lifeline	30,318	33,854
Landsmeer Ridge	2,144,575	2,020,973
Contract Pharmacy	981,377	769,675
Total Other Operating Revenues	<u>\$ 5,237,193</u>	<u>\$ 4,437,306</u>

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF NURSING SERVICE EXPENSES
YEARS ENDED JUNE 30 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2020</u>	<u>2019</u>
NURSING ADMINISTRATION		
Salaries	\$ 109,520	\$ 112,216
Supplies and Other Expense	269	1,663
	<u>109,789</u>	<u>113,879</u>
MEDICAL, SURGICAL, AND OBSTETRIC		
Salaries	1,813,985	1,687,226
Supplies and Other Expense	363,874	349,268
	<u>2,177,859</u>	<u>2,036,494</u>
SPECIAL CARE		
Salaries	20,934	16,116
Supplies and Other Expense	11	35
	<u>20,945</u>	<u>16,151</u>
SWING BED		
Salaries	<u>219,467</u>	<u>218,580</u>
INTERMEDIATE CARE		
Salaries	3,346,701	3,223,578
Purchased Services	6,003	7,873
Supplies and Other Expense	1,762,572	1,739,623
	<u>5,115,276</u>	<u>4,971,074</u>
NURSERY		
Salaries	118,621	108,324
Supplies and Other Expense	16,936	12,458
	<u>135,557</u>	<u>120,782</u>
OPERATING AND RECOVERY ROOM		
Salaries	935,749	827,539
Supplies and Expense	343,290	366,069
	<u>1,279,039</u>	<u>1,193,608</u>
CENTRAL SERVICE AND SUPPLY		
Billable Supplies	<u>640,368</u>	<u>726,318</u>

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF NURSING SERVICE EXPENSES (CONTINUED)
YEARS ENDED JUNE 30 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2020</u>	<u>2019</u>
EMERGENCY SERVICE		
Salaries	\$ 1,703,483	\$ 1,579,975
Purchased Services	152,694	149,712
Supplies and Other Expense	<u>107,570</u>	<u>38,560</u>
	<u>1,963,747</u>	<u>1,768,247</u>
 AMBULANCE		
Salaries	101,476	102,077
Supplies and Other Expense	<u>36,827</u>	<u>50,859</u>
	<u>138,303</u>	<u>152,936</u>
 HOME HEALTH		
Salaries	510,458	502,018
Purchased Services	94,802	85,441
Supplies and Other Expense	<u>100,305</u>	<u>112,371</u>
	<u>705,565</u>	<u>699,830</u>
 HOSPICE		
Salaries	212,504	217,442
Supplies and Other Expense	<u>132,534</u>	<u>138,959</u>
	<u>345,038</u>	<u>356,401</u>
 Totals	 <u>\$ 12,850,953</u>	 <u>\$ 12,374,300</u>

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF OTHER PROFESSIONAL EXPENSES
YEARS ENDED JUNE 30 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2020</u>	<u>2019</u>
LABORATORY		
Salaries	\$ 680,159	\$ 622,503
Professional Fees	462,158	364,156
Supplies and Other Expense	642,756	578,645
	<u>1,785,073</u>	<u>1,565,304</u>
RADIOLOGY		
Salaries	1,220,459	1,167,531
Professional Fees	223,023	335,609
Purchased Services	288,182	320,658
Supplies and Other Expense	402,005	374,979
	<u>2,133,669</u>	<u>2,198,777</u>
ONCOLOGY		
Salaries	89,727	87,025
Supplies and Other Expense	5,546	3,376
	<u>95,273</u>	<u>90,401</u>
PHARMACY		
Salaries	10,630	67,094
Purchased Services	3,798,867	2,878,564
Supplies and Other Expense	73,079	76,257
	<u>3,882,576</u>	<u>3,021,915</u>
ANESTHESIOLOGY		
Salaries	720,077	613,488
Professional Fees	15,625	213,891
Supplies and Other Expense	30,744	37,940
	<u>766,446</u>	<u>865,319</u>
RESPIRATORY THERAPY		
Salaries	176,223	164,069
Oxygen	57,252	50,738
Supplies and Other Expense	11,291	14,983
	<u>244,766</u>	<u>229,790</u>
PHYSICAL THERAPY		
Salaries	1,234,545	1,219,764
Purchased Services	2,573	1,826
Supplies and Other Expense	223,821	209,676
	<u>1,460,939</u>	<u>1,431,266</u>
CARDIO PULMONARY		
Purchased Services	184,756	171,099
Supplies and Other Expense	(1,639)	7,813
	<u>183,117</u>	<u>178,912</u>

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF OTHER PROFESSIONAL EXPENSES (CONTINUED)
YEARS ENDED JUNE 30 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2020</u>	<u>2019</u>
SPEECH THERAPY		
Purchased Services	\$ 49,411	\$ 42,466
AUDIOLOGY		
Purchased Services	34,671	33,217
Supplies and Other Expense	499	-
	<u>35,170</u>	<u>33,217</u>
OCCUPATIONAL HEALTH SERVICES		
Salaries	165,833	118,779
Purchased Services	2,355	198
Supplies and Other Expense	44,029	26,457
	<u>212,217</u>	<u>145,434</u>
ORANGE CITY MEDICAL CLINIC		
Salaries	4,937,826	4,690,875
Purchased Services	797,101	781,991
Medical Supplies	1,017,306	925,074
Supplies and Other Expense	74,046	90,173
Utilities	69,825	68,365
Telephone	15,585	20,366
Insurance	39,390	34,419
Employee Benefits	1,496,359	1,402,519
	<u>8,447,438</u>	<u>8,013,782</u>
HOSPERS MEDICAL CLINIC		
Salaries	142,648	141,746
Purchased Services	33,003	36,089
Medical Supplies	35,599	24,707
Supplies and Other Expense	23,776	31,111
Utilities	2,380	2,440
Telephone	3,005	3,861
Employee Benefits	65,664	64,159
	<u>306,075</u>	<u>304,113</u>
PAULLINA MEDICAL CLINIC		
Salaries	296,495	297,223
Purchased Services	64,126	66,806
Medical Supplies	56,280	47,816
Supplies and Other Expense	28,130	24,961
Utilities	5,936	6,408
Telephone	3,099	3,014
Employee Benefits	99,696	97,552
	<u>553,762</u>	<u>543,780</u>

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF OTHER PROFESSIONAL EXPENSES (CONTINUED)
YEARS ENDED JUNE 30 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

	2020	2019
SPECIALTY CLINIC		
Salaries	\$ 248,040	\$ 245,265
Supplies and Other Expense	138,738	50,545
Utilities	3,708	3,843
Insurance	660	660
	391,146	300,313
 URGENT CARE/WALK-IN CLINIC		
Salaries	133,805	-
Purchased Services	139	-
Supplies	74,145	-
Utilities	6,225	-
	214,314	-
 SURGERY		
Salaries	702,069	724,588
Purchased Services	1,422	288
Supplies and Other Expense	24,220	42,417
Telephone	3,062	2,076
	730,773	769,369
 LANDSMEER RIDGE		
Salaries	656,289	570,165
Purchased Services	22,992	14,190
Medical Supplies	2,178	1,806
Supplies and Other Expense	580,865	598,651
Utilities	102,691	104,272
Telephone	12,254	12,209
Insurance	7,154	6,706
	1,384,423	1,307,999
 SOCIAL SERVICE		
Salaries	186,038	172,118
 MEDICAL RECORDS		
Salaries	338,683	345,150
Supplies and Other Expense	12,993	12,485
	351,676	357,635
 RETAIL PHARMACY		
Salaries	131	-
Purchased Services	389,168	438,548
Supplies and Other Expense	532,163	456,886
	921,462	895,434
 Totals	\$ 24,335,764	\$ 22,467,344

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF GENERAL SERVICE EXPENSES
YEARS ENDED JUNE 30 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2020</u>	<u>2019</u>
DIETARY		
Salaries	\$ 352,626	\$ 342,295
Food	293,434	284,642
Supplies and Other Expense	63,010	73,156
	<u>709,070</u>	<u>700,093</u>
PLANT		
Salaries	388,262	353,875
Utilities	406,685	420,151
Purchased Services	31,227	14,548
Supplies and Other Expense	272,299	287,051
	<u>1,098,473</u>	<u>1,075,625</u>
HOUSEKEEPING		
Salaries	211,194	206,960
Supplies and Other Expense	72,309	47,880
	<u>283,503</u>	<u>254,840</u>
LAUNDRY AND LINEN		
Salaries	31,098	27,580
Supplies and Other Expense	22,174	12,599
	<u>53,272</u>	<u>40,179</u>
Totals	<u>\$ 2,144,318</u>	<u>\$ 2,070,737</u>

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF FISCAL AND ADMINISTRATIVE SERVICE
AND UNASSIGNED EXPENSES
YEARS ENDED JUNE 30 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2020</u>	<u>2019</u>
FISCAL AND ADMINISTRATIVE SERVICE		
Administrative and General		
Salaries	\$ 980,071	\$ 915,055
Management Fees	525,281	502,834
Professional Services	81,473	71,802
Collections	36,422	49,671
Telephone	84,689	74,000
Supplies and Other Expense	1,771,631	1,578,698
	<u>3,479,567</u>	<u>3,192,060</u>
 HUMAN RESOURCES		
Salaries	262,587	226,425
Supplies and Other Expense	310,748	306,753
	<u>573,335</u>	<u>533,178</u>
 REGULATORY AFFAIRS		
Salaries	96,557	89,447
Supplies and Other Expense	1,279	2,995
	<u>97,836</u>	<u>92,442</u>
 COMMUNITY RELATIONS		
Salaries	82,977	74,689
Supplies and Other Expense	135,060	171,845
	<u>218,037</u>	<u>246,534</u>
 RECEIVING AND STORES		
Salaries	165,595	157,451
Supplies and Other Expense	47,369	59,919
	<u>212,964</u>	<u>217,370</u>
 ADMISSIONS		
Salaries	344,694	327,094
Supplies and Other Expense	8,514	8,557
	<u>353,208</u>	<u>335,651</u>
 Total Fiscal and Administrative Expenses	4,934,947	4,617,235
 UNASSIGNED EXPENSES		
Employee Benefits		
Payroll Taxes	4,315,182	3,416,860
Group Health Insurance	2,894,994	2,215,278
Other	248,633	250,119
Insurance	393,165	413,930
Total Unassigned Expenses	<u>7,851,974</u>	<u>6,296,187</u>
 Totals	<u>\$ 12,786,921</u>	<u>\$ 10,913,422</u>

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULES OF COMPARATIVE STATISTICS (UNAUDITED)
YEARS ENDED JUNE 30 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2020</u>	<u>2019</u>
PATIENT DAYS		
Acute and Pediatric	2,139	2,539
Nursery	480	451
Swing Bed:		
Skilled Nursing Care	883	916
Intermediate Care	58	153
Intermediate Care	30,695	30,450
Total	<u>34,255</u>	<u>34,509</u>
ADMISSIONS		
Acute and Pediatric	715	813
Swing Bed:		
Skilled Nursing Care	88	100
Intermediate Care	23	11
Intermediate Care	31	20
Total	<u>857</u>	<u>944</u>
DISCHARGES		
Acute and Pediatric	715	816
Swing Bed:		
Skilled Nursing Care	87	105
Intermediate Care	24	12
Intermediate Care	29	18
Total	<u>855</u>	<u>951</u>
AVERAGE LENGTH OF STAY		
Acute and Pediatric	2.99	3.11
Swing Bed:		
Skilled Nursing Care	10.15	8.72
Intermediate Care	2.42	12.75
Intermediate Care	1058.45	1691.67
BEDS		
Adult, Pediatric, and Swing Bed	24	24
Intermediate Care	84	84
OCCUPANCY PERCENTAGE		
Adult, Pediatric, and Swing Bed	40.64%	46.34%
Intermediate Care	100.11%	99.32%
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	\$ 136,308	\$ 130,829
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT ACCOUNTS RECEIVABLE AT END OF YEAR	36.99	45.81



**INDEPENDENT AUDITORS' 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**

Board of Trustees
Orange City Area Health System
an Administrative Agency of the City of Orange, Iowa
dba: Orange City Area Health System
and Orange City Area Health Foundation
Orange City, Iowa

We have audited, in accordance with the 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 Orange City Area Health System (the Health System), and its component unit, Orange City Area Health System Foundation which comprise the statements of net position and statements of financial position, as of June 30, 2020, and the related statements of revenues, expenses, and changes in net position, activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Health System'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health System's internal control.

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

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

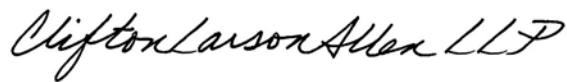
Compliance and Other Matters

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

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 13, 2020

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

Part I – Findings Related to the Financial Statements

No matters were identified requiring disclosure.

**ORANGE CITY AREA HEALTH SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

Part II – Findings Related to Required Statutory Reporting

20-II-A QUESTIONABLE EXPENDITURES

No questionable expenditures of Health System's funds were noted.

20-II-B TRAVEL EXPENSES

No expenditures of the Health System's money for travel expenses of spouses of Health System officials and/or employees were noted.

20-II-C BUSINESS TRANSACTIONS

No business transactions were found between the Health System and Health System official were noted.

20-II-D BOARD MINUTES

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

20-II-E DEPOSITS AND INVESTMENTS

Noted one instance of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the code of Iowa and the Health Center's investment policy. Deposits exceeded board of trustee depository limitation at one institution.

Recommendation: We recommend that the Health System transfer funds or increase its depository resolution to not exceed allowable amounts in the future.

Response: Subsequent to year-end, the board of trustees of the Health Center approved a depository resolution increasing the limits above current deposit balances. The Health Center will continue to monitor balances and increase the depository resolution or transfer funds as needed.

20-II-F CERTIFIED BUDGET

Disbursements during the year ended June 30, 2020, exceeded budgeted amounts.

Recommendation: We recommend that the Health System review budget process and amend budgets or revise process as appropriate to address higher than expected expenditures.

Response: The Health Center will continue to refine budget process to ensure as accurate budgets as possible.