CITY OF SAINT PETER, MINNESOTA
AGENDA AND NOTICE OF MEETING

City Council Workshop Session of Monday, July 6, 2020
5:30 p.m.
This meeting will be conducted in-person and electronically - See below for electronic access.
Community Center – Senior Center
600 South Fifth Street, Saint Peter

I. CALL TO ORDER

II. DISCUSSION

A. Hospital Audit Presentation
B. Supportive Action Requests
C. Items of Vital Importance

III. ADJOURNMENT

As provided for in M.S. 13D.021, City Council meetings may be conducted by telephone or other electronic means under certain conditions. This meeting of the City Council will be accessible both in-person and electronically using GoToMeeting software which is available at no charge (link below) or by calling as indicated below. This works best utilizing Google Chrome or Microsoft Edge as your browser. Here is the information necessary to access the meeting electronically:

Please join this meeting from your computer, tablet or smartphone at:
https://global.gotomeeting.com/join/591790045

You can also dial in using your phone (Toll Free): 1 866 899 4679 or - One-touch:
tel:+18668994679,,591790045#

Access Code: 591-790-045

CITY OF Saint Peter
WHERE HISTORY & PROGRESS MEET

Memorandum

TO: Honorable Mayor Zieman
Members of the City Council

DATE: 7/1/2020

FROM: Todd Prafke
City Administrator

RE: Rivers Edge Hospital Audit Presentation

ACTION/RECOMMENDATION

None needed. For your information and discussion only.

BACKGROUND

River's Edge Hospital and Clinic Chief Executive Officer Joe and Chief Financial Officer Lori will be at the workshop on Monday evening to make a presentation on the Hospital's 2019 audit findings.

Joe will also talk a bit about activities at the Hospital and will open to questions from the Council.

The Financial Report and slides from the Hospital Commission Meeting by their auditor are attached for your review.

Members should note that personation of the Hospital Audit is one the costmary visits by the Hospital team used to keep all up to date and our relationship strong.

Please feel free to contact me if you have any questions or concerns about this agenda item.

TP/bal

CPAs & BUSINESS ADVISORS

RIVER'S EDGE HOSPITAL AND CLINIC

December 31, 2019

CONTENTS

Required Auditor's Communication
Internal Control Matters
Financial and Operational Analysis
- Statement of Net Position Performance Ratios
- Financial Performance Ratios
- Operating Activities

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REQUIRED AUDITOR'S COMMUNICATION

1. **Auditor's responsibility under generally accepted auditing standards**
   - Responsibility for financial statements – management
   - Audit consists of tests, not complete verification – we obtain reasonable, not absolute, assurance about whether the financial statements are free of material misstatements
   - Engaged to perform audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance
2. **Compliance with independence requirements**
3. **Significant accounting policies**
   - Described in notes to financial statements
   - No changes in existing accounting policies
4. **Management judgments and accounting estimates and qualitative aspects of accounting practices**
   - Estimated third-party payor settlements
   - Allowance for doubtful accounts and contractual adjustments
   - Accrued pension liability

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REQUIRED AUDITOR'S COMMUNICATION

5. **Significant disclosures**
   - Pension plan disclosures
6. **Corrected and uncorrected misstatements**
   - Corrected
     - To decrease pension expense ($72,000), decrease pension liability ($807,000), increase deferred outflows of resources ($724,000), increase deferred inflows of resources ($1,442,000), and increase other revenue ($17,000)
     - To decrease construction in progress ($197,000), increase construction payable ($432,000), and decrease other payables ($629,000)
     - To increase allowance for doubtful accounts and provision for bad debts - $630,000
     - To increase Medicare payable and contractual adjustments - $307,000
   - Uncorrected
     - To decrease construction in progress ($88,000), increase accrued liabilities ($171,000), increase interest expense ($259,000), increase estimated third-party settlements receivable ($101,000) and decrease contractual adjustments ($101,000).
7. **Difficulties encountered in performing the audit**
   - None
8. **Disagreements with management**
   - None
9. **Management consultations with other independent accountants**
   - None noted

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REQUIRED AUDITOR'S COMMUNICATION

10. Other matters discussed prior to retention
    - None

11. Other matter
    - None

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INTERNAL CONTROL MATTERS

Current Year Internal Control Matters

Material Weakness

1. Preparation of financial statements and schedule of expenditures of federal awards
2. Material audit adjustments
3. Limited size of office staff

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FINANCIAL RATIOS

REHC – River's Edge Hospital and Clinic

State – State of Minnesota CAHs with revenues between $25 – $60 million

Source: Optum Hospital Benchmarks based on submitted cost report data

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Statement of Net Position Performance Ratios

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STATEMENTS OF NET POSITION

	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 6,809,700	$ 7,580,904
Cash and cash equivalents - Foundation	26,883	26,947
Cash and cash equivalents restricted by lender for construction costs	126,502	1,841,919
Receivables		
Patient, net of estimated uncollectibles of approximately $575,000 in 2019 and $547,000 in 2018	4,339,185	4,988,260
Estimated thrid-party payor settlements	393,020	-
Other	6,106	11,950
Supplies	630,455	601,231
Prepaid expenses	307,631	206,074
Total current assets	12,639,482	15,257,285
Noncurrent Cash and Investments		
Designated by Commission	2,945,750	2,989,963
Capital Assets		
Capital assets not being depriciated	7,238,677	12,418,965
Capital assets being depreciated, net	27,060,212	7,997,277
Total capital assets	34,298,889	20,416,242
Other Assets		
Long-term prepaid	35,806	45,146
Investment in joint venture	385,979	386,900
Total other assets	421,785	432,046
Total assets	50,305,906	39,095,536
Deferred Outflows of Resources		
Pension related deferred outflows	723,573	1,536,522
Total assets and deferred outflows of resources	$ 51,029,479	$ 40,632,058

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STATEMENTS OF NET POSITION

	2019	2018
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 876,742	$ 909,789
Accounts payable		
Trade	1,714,918	1,623,173
Estimated third-party payor settlements	-	3,113,888
Construction payables	2,810,662	3,679,485
Accrued expenses		
Salaries, wages, and benefits	1,076,800	1,092,821
Interest	125,232	131,585
Total current liabilities	6,604,354	10,550,741
Net Pension Liability	7,248,224	7,322,818
Long-Term Debt, Less Current Maturities	28,766,597	14,837,585
Total liabilities	42,619,175	32,711,144
Deferred Inflows of Resources		
Pension related deferred inflows	1,441,606	1,968,453
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Net investment in capital assets	1,971,390	2,831,302
Unrestricted	4,997,308	3,121,159
Total net position	6,968,698	5,952,461
Total liabilities, deferred inflows of resources, and net position	$ 51,029,479	$ 40,632,058

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DAYS CASH ON HAND

	2016	2017	2018	2019
MN CAH	221	208	210	
River's Edge	127	139	112	98

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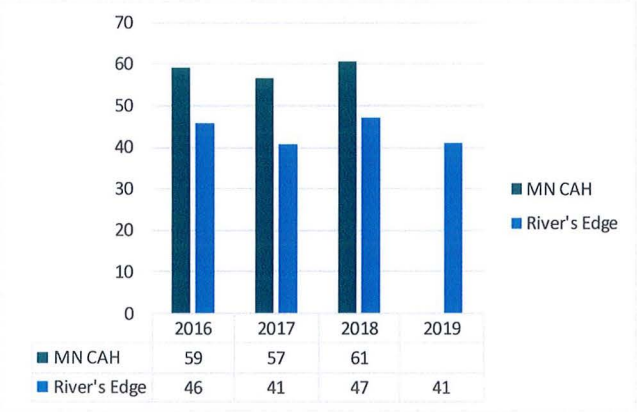
DAYS REVENUE IN RECEIVABLES



	2016	2017	2018	2019
MN CAH	59	57	61	
River's Edge	46	41	47	41

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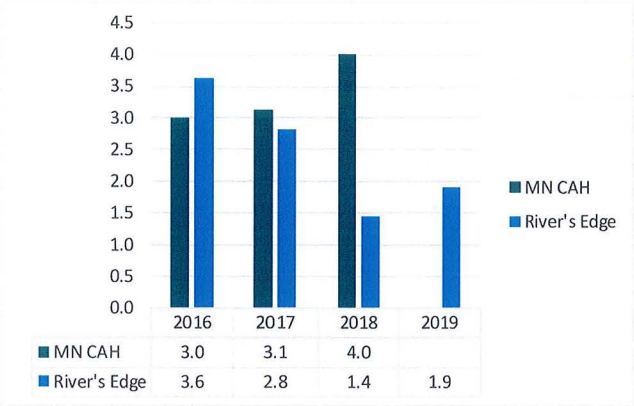
CURRENT RATIO



	2016	2017	2018	2019
MN CAH	3.0	3.1	4.0	
River's Edge	3.6	2.8	1.4	1.9

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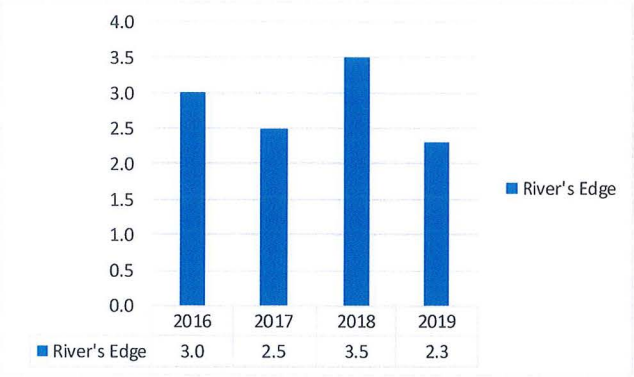
DEBT SERVICE COVERAGE RATIO



	2016	2017	2018	2019
River's Edge	3.0	2.5	3.5	2.3

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Financial Performance Ratios

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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2019	2018
Operating Revenues		
Net patient service revenue (net of provision for bad debts of $1,375,660 in 2019 and $1,340,042 in 2018)	$ 38,633,526	$ 38,672,915
Other revenue	235,746	229,626
Total operating revenues	38,869,272	38,902,541
Operating Expenses		
Nursing services	3,667,480	3,362,144
Other professional services	21,702,485	21,847,157
General and administrative services	9,668,744	8,018,048
Property and household services	887,201	803,253
Depreciation	1,566,377	1,225,312
Total operating expenses	37,492,287	35,255,914
Operating Income	1,376,985	3,646,627
Nonoperating Revenues (Expenses)		
Interest expense	(390,161)	(409,453)
Debt issuance costs	(5,742)	(759,440)
Investment income	80,159	64,712
Noncapital contributions and grants	260	10,050
Other	(45,264)	(305)
Total nonoperating expenses, net	(360,748)	(1,094,436)
Change in Net Position	1,016,237	2,552,191
Net Position, Beginning of Year	5,952,461	3,400,270
Net Position, End of Year	$ 6,968,698	$ 5,952,461

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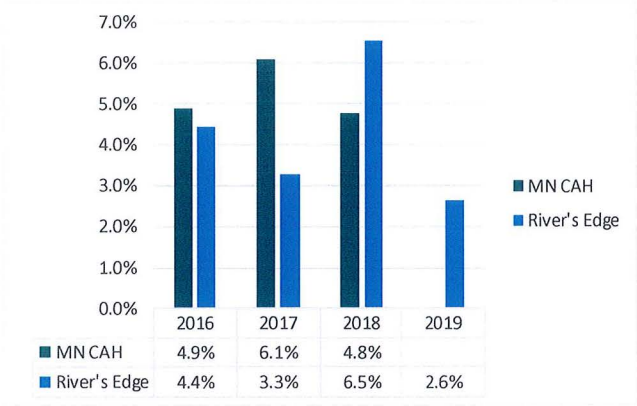
TOTAL MARGIN



	2016	2017	2018	2019
MN CAH	4.9%	6.1%	4.8%	
River's Edge	4.4%	3.3%	6.5%	2.6%

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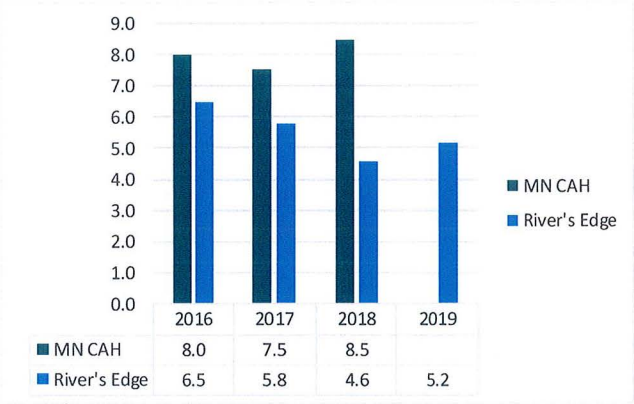
CAPITAL EXPENSE RATIO



	2016	2017	2018	2019
MN CAH	8.0	7.5	8.5	
River's Edge	6.5	5.8	4.6	5.2

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Operating Activities

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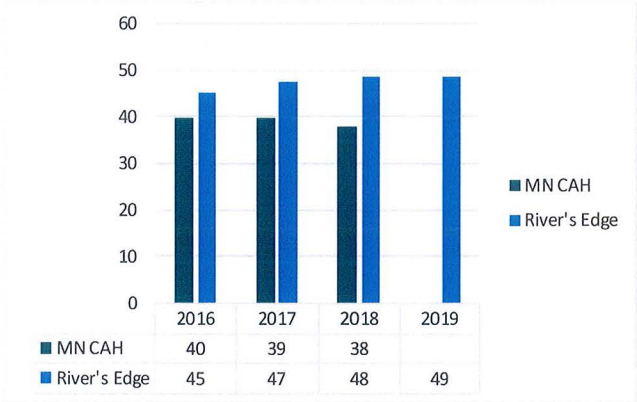
DEDUCTIBLE RATIO



	2016	2017	2018	2019
MN CAH	40	39	38	
River's Edge	45	47	48	49

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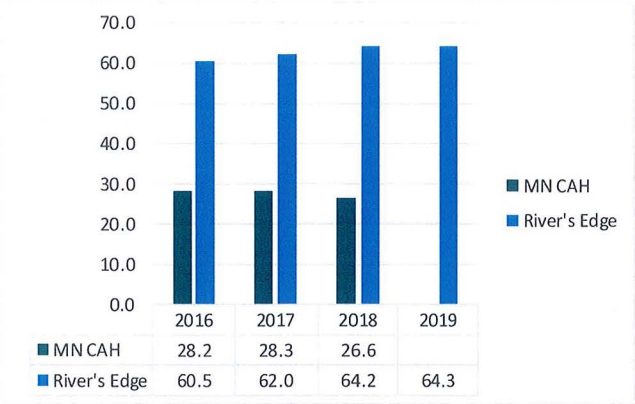
INPATIENT REVENUE TO TOTAL REVENUE PERCENTAGE



	2016	2017	2018	2019
MN CAH	28.2	28.3	26.6	
River's Edge	60.5	62.0	64.2	64.3

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CHARGES PER ADJUSTED PATIENT DAY

	2016	2017	2018	2019
MN CAH	$6,242	$6,689	$6,957	
River's Edge	$13,100	$14,783	$16,522	$16,911

The increases in charges from 2016 to 2019 reflect the changes in services provided by the Hospital and the intensity of these services.

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CITY OF Saint Peter
WHERE HISTORY & PROGRESS MEET

Memorandum

TO: Honorable Mayor Zieman
Members of the City Council

DATE: 7/2/2020

FROM: Todd Prafke
City Administrator

RE: Supportive Action Requests

ACTION/RECOMMENDATION

None needed. For your information and discussion only.

BACKGROUND

This issue was supposed to be part of the discussion at your goal session last week but as you may recall, we just didn't quite get that far. Time expired on me. As we discussed by hope was to bring those issues not covered back to workshop over the next the month so this is one of those "hold over" agenda items.

This issue, the issue of "Support Resolution" or may also be termed "Supportive Actions" comes to you based on the ongoing and increasing number of requests the Mayor and Council receive related to providing proclamations and resolutions of support for activities ranging from grant requests, to special days, to requests by organizations that are hoping to show political support for efforts they may be undertaking.

An example of a recent request that may fall into this category is the request related to a business opening letter or resolution during COVID. You may recall that discussion from about a month ago.

The rules for proclamations provide substantial autonomy to the Mayor. It is one of the Mayor's powers/responsibilities, if you can call it that, and the Mayor has autonomy in those.

"Resolutions of Support" are a bit of a different matter. As I said above, more of you are seeing more requests for assistance from "special interests". I want to be clear that I use the term "special interests" in a neutral, non-political way to mean that the generally the organizations making the request have a singular or very narrow focus within the request. Often the requests are not directly related to projects or efforts the Council has taken action on and are in the realm of looking to influence another decision making body or give the group requesting the resolution some form of associated credibility based on your Council action.

It may be important to note that requests for resolutions of support come in a couple of flavors. Sometimes it's a general request for support and does not necessarily need to be a "resolution" of the Council. Sometimes it is folks looking for some kind of a sign that the City is supportive

and they are not sure what that can or should look like. Although they may ask for a resolution, a letter, an email or a phone call may be just as good if not better in some instances. Those things, while being official, do not have the effect of law in the same way that a Resolution does. We probably have enough requests of these types to have a couple of resolutions each meeting.

Our practice has been that if a letter, call or email is received determination is made at the staff level, usually through my office, and support is provided if the request meets the loose criteria which is:

- The request is made by a local organization.
- The request is in line with current policy, the list of Issues of Vital Importance or projects either currently in place or part of a plan for the City.
- Providing the letter, email or call will actually have local impact. By that I mean we are not sending a letter supporting establishment of a Cub Scout Troop in El Paso Texas or in London England.
- The request is not a political one. Meaning if support is provided it is in an area where you exert influence and have a role in the process.

We do not have a clearly defined process for resolutions of support passed by the Council and in fact, have provided very, very few unless they relate directly to a project the City is involved in like transit funding or Local Government Aid or a grant application for playground money in a park.

But since you are getting more of these and more time and effort may be spent in sorting these out I wanted to solicit your direction on how to handle these requests and define what the roles the Council and staff have in dealing with these requests. That could include just resolutions of support but may also include how staff handles the requests for letters, email and calls.

In my mind this is not only a process question. It can also be an authority question and a practical time/cost question. In the past, if a request was not part of your action or plan or core city business, it just was not considered. You may want to change that. The process question also delve into the kind of support. By "kinid" I mean is it a resolution, a letter, an email or call.

How much time, energy, and effort do you want to spend on these and maybe what impact or influence do you really exert? I wonder if you pass these like candy at a parade do they really lose their impact. How much of your time, energy, and effort do you spend on these when at times you don't have enough time to hit issues which are more directly related to your core operations?

This is a tough one and more than a bit philosophical. My goal for you workshop is to describe current practices and rules, outline a couple of examples and ask you question to solicit feedback on how these type of request might be best handled in the future. I am also hope to receive input on the scope or said another way... how to decide the topics that should receive official action and what level of action that should be provided.

I hope that by having the discussion I can better meet your needs whether it's through policy development or just a better group understanding of the plan going forward.

Please feel free to contact me if you have any questions or concerns about this agenda item.

TP/bal

CITY OF Saint Peter
WHERE HISTORY & PROGRESS MEET

Memorandum

TO: Honorable Mayor Zieman
Members of the City Council

DATE: 7/1/2020

FROM: Todd Prafke
City Administrator

RE: Items of Vital Importance

ACTION/RECOMMENDATION

None needed. For your information and discussion only.

BACKGROUND

The City Council has, for many years now, made decisions based in part on your list of Items of Vital Importance. As discussed at your goal session on June 29th, the list has been slightly modified as follows:

Saint Peter sees Vital Importance in striving to be...

- a community that treats all people like neighbors
- proactive in housing solutions
- committed to providing quality health care
- supportive of a thriving and sustainable business community
- acting on the changes in our demographics
- promoting an aesthetically distinctive community
- always improving on sustainability
- a community that prioritizes available early childhood care, educational opportunities, and exceptional schools

The current list looks like:

COUNCIL'S LIST OF ITEMS OF VITAL IMPORTANCE

- Community that treats all people like neighbors
- Proactive housing solutions
- Availability of quality health care
- Thriving and sustainable business community
- Action on the changes in our demographics
- Aesthetically distinctive
- Improved Sustainability
    - Environment
    - City business

- Available early childhood care and educational opportunities and exceptional schools

This agenda item has been included as a wrap up to the discussion that you started at your Goal Session of Monday June 29th. My hope for your meeting is to review the changes, discuss what this means to you as a Council and reach agreement on the content of this list.

Please feel free to contact me if you have any questions or concerns about this agenda item.

TP/bal

Financial Statements
December 31, 2019 and 2018

River's Edge Hospital and Clinic

EideBailly

eidebailly.com

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Required Supplementary Information

Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions 32

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Supplementary Information

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Independent Auditor's Report

To the Hospital Commission
River's Edge Hospital and Clinic
St. Peter, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of River's Edge Hospital and Clinic (the Hospital) (an enterprise fund of the City of St. Peter, Minnesota), which includes St. Peter Community Hospital Foundation recorded as a blended component unit, which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2019 and 2018, and the results of its operations, changes in net position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 21, 2020, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit preformed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Eide Bailly LLP

Minneapolis, Minnesota
May 21, 2020

	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 6,809,700	$ 7,580,904
Cash and cash equivalents - Foundation	26,883	26,947
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Net nonoperating expenses	(360,748)	(1,094,436)
Revenues in Excess of Expenses and Change in Net Position	1,016,237	2,552,191
Net Position, Beginning of Year	5,952,461	3,400,270
Net Position, End of Year	$ 6,968,698	$ 5,952,461

See Notes to Financial Statements

	2019	2018
Operating Activities		
Receipts from and on behalf of patients	$ 35,775,693	$ 40,253,776
Payments to suppliers and contractors	(22,863,710)	(22,054,539)
Payments to and on behalf of employees	(12,896,409)	(12,341,616)
Other receipts and payments, net	145,590	121,676
Net Cash from Operating Activities	161,164	5,979,297
Noncapital Financing Activities		
Noncapital contributions and grants	260	10,050
Other nonoperating revenues	52	9,841
Net Cash from Noncapital Financing Activities	312	19,891
Capital and Capital-Related Financing Activities		
Purchase of capital assets	(16,363,163)	(8,885,429)
Payment of interest on long-term debt, less capitalized interest of $290,756 and 2019 and $23,905 in 2018	(396,514)	(415,341)
Proceeds from issuance of long term debt	14,815,152	5,050,000
Payment of debt issuance costs	(5,742)	(759,440)
Repayment of long-term debt	(919,187)	(792,989)
Net Cash used for Capital and Capital-Related Financing Activities	(2,869,454)	(5,803,199)
Investing Activities		
Interest on investments	156,534	36,861
Distributions from joint venture	96,921	84,007
Net Cash from Investing Activities	253,455	120,868
Net Change in Cash and Cash Equivalents	(2,454,523)	316,857
Cash and Cash Equivalents, Beginning of Year	12,342,065	12,025,208
Cash and Cash Equivalents, End of Year	$ 9,887,542	$ 12,342,065
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents in current assets	$ 6,963,085	$ 9,449,770
Cash and cash equivalents in noncurrent cash and investments	2,924,457	2,892,295
Total cash and cash equivalents	$ 9,887,542	$ 12,342,065

	2019	2018
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	$ 1,376,985	$ 3,646,627
Adjustments to reconcile operating income to net cash from operating activities		
Equity earnings in joint venture	(96,000)	(96,000)
Depreciation	1,566,377	1,225,312
Provision for bad debts	1,375,660	1,340,042
Changes in assets and liabilities		
Receivables	(1,113,761)	(2,559,019)
Supplies	(29,224)	95,411
Prepaid expenses	(92,217)	37,653
Accounts payable	(3,022,143)	2,561,326
Net pension liability	(74,594)	(1,218,885)
Deferred outflows of resources	812,949	911,497
Deferred inflows of resources	(526,847)	58,738
Accrued salaries, wages, and benefits	(16,021)	(23,405)
Net Cash from Operating Activities	$ 161,164	$ 5,979,297
Supplemental Disclosure of Noncash Capital and Capital-Related Financing Activities		
Accounts payable for construction	$ 2,810,662	$ 3,679,485

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of River's Edge Hospital and Clinic (the Hospital) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital are described below.

Reporting Entity

The Hospital was formed to own, maintain, and operate healthcare and related facilities located in St. Peter, Minnesota, and to furnish medical and surgical care to the sick, infirmed, aged, or injured. The Hospital is exempt from federal and state income taxes on related income. The Hospital is controlled by the City of St. Peter, Minnesota (the City), and is accounted for as an enterprise fund of the City. The Hospital is governed by the Hospital Commission (the Commission), which is appointed by the City Council. The Commission exercises governing oversight responsibility for the Hospital which includes such duties as budget review, care of the patients, and management of the facilities as set forth by the ordinance of the City.

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

Blended Component Unit

St. Peter Community Hospital Foundation (the Foundation) is a corporation organized to support the purposes of the Hospital. The Foundation is governed by a Board of Directors (the Board), which has all of the powers necessary and convenient to provide operation and administration of the Foundation as the Board determines to be necessary and expedient. The Foundation is included as a blended component unit with the Hospital. The financial statements include only the financial activity of the Hospital and the Foundation, collectively referred to as the Hospital. Financial statements of the Foundation can be obtained by contacting the Hospital's Chief Financial Officer.

Tax-Exempt Status

The Foundation is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS.

Measurement Focus and Basis of Accounting

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

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

Basis of Presentation

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

> *Net investment in capital assets* consists of net capital assets reduced by the outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets and the related debt obligations.
>
> *Restricted net position* consists of noncapital net position that must be used for a particular purpose or held in perpetuity, as specified by creditors, grantors, or contributors external to the Hospital. At December 31, 2019 and 2018, the Hospital did not have any restricted net position.
>
> *Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding noncurrent cash and investments designated by Commission. For the purposes of the statement of cash flows, the Hospital considers all cash and investments with an original maturity of three months or less as cash and cash equivalents. Those with maturities greater than three months are considered by the Hospital to be available for sale and held as cash equivalents.

Patient Receivables

Patient receivables are uncollateralized customer and third-party payor obligations. The Hospital does not charge interest on unpaid balances. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

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

Supplies

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

Noncurrent Cash and Investments

Noncurrent cash and investments include assets designated by the Commission for future capital acquisitions, debt redemption, self-funded insurance, and other uses over which the Commission retains control and may at its discretion subsequently use for other purposes. Noncurrent cash and investments that are available for obligations classified as current liabilities are reported in current assets.

Investment Income

Interest, dividends, gains and losses, both realized and unrealized, on investments and deposits are included in nonoperating revenues when earned.

Capital Assets

Property and equipment acquisitions in excess of $5,000 are capitalized and recorded at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land and construction in progress are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

Land improvements	8-25 years
Buildings	2-40 years
Fixed equipment	5-25 years
Movable equipment	2-20 years

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

Impairment of Long-Lived Assets

The Hospital considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying value of assets are appropriate. No impairment was identified for the years ended December 31, 2019 and 2018.

Investment in Joint Venture

Joint ventures in which the Hospital has an equity interest and either an ongoing financial interest or an ongoing financial responsibility are reported originally at cost and adjusted for changes in the equity interest in accordance with the joint venture agreement and for any other transactions, such as a return on capital. Equity earnings from joint ventures that provide healthcare services to patients of the Hospital are included in operating revenues. Equity earnings from all other joint ventures are included in nonoperating revenues (expenses).

Deferred Outflows of Resources

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

Compensated Absences

The Hospital's employees earn paid time off days at varying rates depending on years of service. Employees may accumulate paid time off up to a specified maximum. Employees are paid for accumulated paid time off upon termination. The liability for compensated absences is included with accrued salaries, wages, and benefits in the accompanying statements of net position.

Deferred Inflows of Resources

Deferred inflows of resources represent an increase in net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. Deferred inflows of resources in the statement of net position consist of the unamortized portion of the net differences between projected and actual investment earnings, changes in actuarial assumptions, differences between expected and actual economic experience, and the net pension liability change in proportion.

Estimated Dental Claims Payable

The Hospital provides for self-insurance reserves for estimated incurred but not reported claims for its employee dental plan. These reserves, which are included in accrued salaries, wages, and benefits on the statements of net position, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

Operating Revenues and Expenses

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

Net Patient Service Revenue

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

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The estimated cost of providing these services was approximately $411,000 and $281,000 at December 31, 2019 and 2018, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

Grants and Contributions

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

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA), and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Net Patient Service Revenue

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

Medicare: The Hospital is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most inpatient and outpatient services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Hospital subject to audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through the year ended December 31, 2015. Clinical services are paid on a fixed fee schedule.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicaid beneficiaries are paid based on the lower of customary charges, allowable cost as determined through the Hospital's Medicare cost report, or rates as established by the Medicaid program. The Hospital is reimbursed at a tentative rate with final settlement determined by the program based on the Hospital's final Medicare cost report through December 31, 2016. Outpatient payments subsequent to December 31, 2016, are not subject to retroactive adjustment. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through the year ended December 31, 2016. Clinical services are paid on a fixed fee schedule.

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

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

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital's patient service revenues for the years ended December 31, 2019 and 2018:

	2019	2018
Medicare and Medicare HMO	54%	56%
Medicaid and Blue Plus	7%	3%
Blue Cross and other commercial payors	24%	25%
Patient pay and other	15%	16%
	100%	100%

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. Net patient service revenue for the years ended December 31, 2019 and 2018, increased approximately $111,000 and $212,000, due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer subject to audits, reviews, and investigations.

Note 3 - Deposits and Investments

The carrying amount of deposits and investments as of December 31, 2019 and 2018, are included in the Hospital's statements of net position as follows:

	2019	2018
Carrying amount		
Cash and deposits	$ 9,887,542	$ 12,342,065
Accrued interest	18,743	95,118
Other	2,550	2,550
Total	$ 9,908,835	$ 12,439,733

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

	2019	2018
Cash and cash equivalents	$ 6,809,700	$ 7,580,904
Cash and cash equivalents - Foundation	26,883	26,947
Cash and cash equivalents restricted by lender for construction costs	126,502	1,841,919
Noncurrent cash and investments - designated by Commission	2,945,750	2,989,963
	$ 9,908,835	$ 12,439,733

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits may not be returned to it. Statutes require that all deposits be made only in financial institutions designated by its governing body in amounts that are federally insured, or if its deposits are more than this amount, it must either have the depository furnish a bond or assign collateral to protect the excess deposit. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. The Hospital does not have a separate deposit policy for custodial credit risk and follows statutory requirements.

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts and requires that all bank balances be insured or collateralized by U.S. government securities, government-backed securities, state or local general obligation rated "A" or better, or state or local revenue obligation rated "AA" or better, and placed in safekeeping at the Federal Reserve Bank or in a trust department in another depository. For the year ended December 31, 2019, $126,502 was not properly collateralized as required by state law. For the year ended December 31, 2018, $1,841,919 was not properly collateralized as required by state law.

The Hospital's deposits are stated at historical cost. The Hospital had bank balances at December 31, 2019 and 2018, as follows:

	2019	2018
Insured (FDIC)	$ 2,214,547	$ 2,200,279
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	7,778,755	8,375,097
Uncollateralized	126,502	1,841,919
Total	$ 10,119,804	$ 12,417,295
Carrying value	$ 9,887,542	$ 12,342,065

Interest Rate Risk

The Hospital's investment policy contains a provision that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Minnesota statutes authorize the Hospital to invest in obligations of the U.S. Government and its agencies, the State of Minnesota and its agencies, as well as in bankers' acceptances, commercial paper, and certain other types of securities. As of December 31, 2019 and 2018, the Hospital did not hold any investments subject to credit risk.

Concentration of Credit Risk

The Hospital currently does not place a limit on the amount it may invest with any one issuer and has no significant concentrations of investments.

Noncurrent Cash and Investments

Noncurrent cash and investments are held for the following purposes at December 31, 2019 and 2018:

	2019	2018
Designated by Commission		
Self-funded dental insurance (Note 11)	$ 81,368	$ 64,008
Emergency preparedness	-	105
Funded depreciation	2,864,382	2,925,850
	$ 2,945,750	$ 2,989,963

Investment Income

Investment income on noncurrent cash and investments and cash and cash equivalents consists of interest income for the years ended December 31, 2019 and 2018.

Note 4 - Fair Value Measurements

The Hospital has determined the fair value of certain investments in accordance with generally accepted accounting principles, which provides a framework for measuring fair value. A hierarchy of valuation classifications considers whether the inputs used in valuation techniques are observable or unobservable. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy prioritizes the valuation inputs into the following three broad levels:

Level 1 – Unadjusted quoted prices for identical instruments in active markets that the reporting entity has the ability to access at the measurement date.

Level 2 – Quoted prices for similar investments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are directly or indirectly observable. Examples would be matrix pricing, market corroborated pricing, and inputs such as yield curves and indices.

Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable and may rely on the reporting entity's own assumptions, but the market participant's assumptions may be used in pricing the asset.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case the Hospital defaults to the lowest level input that is significant to the fair value measurement in its entirety. These levels are not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the Hospital performed a detailed analysis of the assets that are subject to fair value measurement.

The following table presents fair value measurements as of December 31, 2019 and 2018:

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2019				
Certificates of deposits - traded	$ 981,439	$ -	$ 981,439	$ -
As of December 31, 2018				
Certificates of deposits - traded	$ 969,552	$ -	$ 969,552	$ -

The Hospital's investments in traded certificates of deposit, which are reported in noncurrent cash and investments, are based on quoted market prices for identical investments in an inactive market or similar investments in markets that are either active or inactive.

Note 5 - Capital Assets

Capital assets additions, retirements, transfers, and balances for the year ended December 31, 2019, are as follows:

	Balance December 31, 2018	Additions	Transfers and Retirements	Balance December 31, 2019
Capital assets not being depreciated				
Land	$ 28,886	$ -	$ -	$ 28,886
Construction in progress	12,390,079	15,494,340	(20,674,628)	7,209,791
Total capital assets not being depreciated	$ 12,418,965	$ 15,494,340	$ (20,674,628)	$ 7,238,677
Capital assets being depreciated				
Land improvements	$ 1,673,911	$ -	$ -	$ 1,673,911
Buildings	8,453,194	-	19,733,928	28,187,122
Fixed equipment	3,848,479	-	(107,434)	3,741,045
Movable equipment	9,633,820	-	(1,609,768)	8,024,052
Total capital assets being depreciated	$ 23,609,404	$ -	$ 18,016,726	$ 41,626,130
Less accumulated depreciation for				
Land improvements	$ (860,382)	$ (60,172)	$ -	$ (920,554)
Buildings	(3,795,254)	(779,757)	6,478	(4,568,533)
Fixed equipment	(2,938,406)	(173,267)	208,502	(2,903,171)
Movable equipment	(8,018,085)	(553,181)	2,397,606	(6,173,660)
Total accumulated depreciation	$ (15,612,127)	$ (1,566,377)	$ 2,612,586	$ (14,565,918)
Net capital assets being depreciated	$ 7,997,277			$ 27,060,212
Capital assets, net	$ 20,416,242			$ 34,298,889

Construction in progress at December 31, 2019, represents costs for a hospital addition and remodeling project. The estimated costs to complete the project is approximately $8,386,000, which will be financed with Hospital funds and the $24,146,000 Healthcare Bond Anticipation Note, Series 2018B (Note 7). The project is expected to be complete in July 2020.

Capital assets additions, retirements, transfers, and balances for the year ended December 31, 2018, are as follows:

	Balance December 31, 2017	Additions	Transfers and Retirements	Balance December 31, 2018
Capital assets not being depreciated				
Land	$ 28,886	$ -	$ -	$ 28,886
Construction in progress	1,849,813	11,770,999	(1,230,733)	12,390,079
Total capital assets not being depreciated	$ 1,878,699	$ 11,770,999	$ (1,230,733)	$ 12,418,965
Capital assets being depreciated				
Land improvements	$ 1,673,911	$ -	$ -	$ 1,673,911
Buildings	7,260,686	-	1,192,508	8,453,194
Fixed equipment	3,982,136	-	(133,657)	3,848,479
Movable equipment	9,540,341	449,714	(356,235)	9,633,820
Total capital assets being depreciated	$ 22,457,074	$ 449,714	$ 702,616	$ 23,609,404
Less accumulated depreciation for				
Land improvements	$ (798,337)	$ (62,045)	$ -	$ (860,382)
Buildings	(3,513,966)	(281,288)	-	(3,795,254)
Fixed equipment	(2,873,572)	(208,484)	143,650	(2,938,406)
Movable equipment	(7,718,911)	(673,495)	374,321	(8,018,085)
Total accumulated depreciation	$ (14,904,786)	$ (1,225,312)	$ 517,971	$ (15,612,127)
Net capital assets being depreciated	$ 7,552,288			$ 7,997,277
Capital assets, net	$ 9,430,987			$ 20,416,242

The land on which the Hospital building is located is the property of the City of St. Peter and is not included in these financial statements.

Note 6 - Investment in Joint Venture

Central Minnesota Diagnostic, Inc. (CMDI), a nonprofit corporation, was formed by other area hospitals (all of which are unrelated to the Hospital), to provide agreed-upon services to those hospitals who are members. Under the terms of the agreement, certain profits are allocated to the members of CMDI based on usage and included as members' equity. Periodically, based on CMDI's discretion, distributions of members' equity are made to members. CMDI has assets totaling approximately $51.1 million and $47.1 million as of December 31, 2019 and 2018, operating revenues of approximately $40.1 million and $39.4 million, and operating income totaling $12.0 million and $11.1 million for the years then ended. The Hospital's investment in CMDI was $385,979 and $386,900, which is an ownership interest of approximately 1.0% as of December 31, 2019 and 2018. During the years ended December 31, 2019 and 2018, the Hospital received $96,921 and $84,007 in distributions from CMDI and recorded investment earnings of $80,000 and $96,000 in 2019 and 2018, respectively. Separate financial statements of CMDI are prepared and are available from CMDI.

Note 7 - Long-Term Debt

A schedule of changes in the Hospital's long-term debt for the years ended December 31, 2019 and 2018, is as follows:

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Amounts Due Within One Year
General obligation hospital bonds, Series 2010A	$ 10,235,000	$ -	$ (565,000)	$ 9,670,000	$ 585,000
Equipment certificates of indebtedness	132,989	-	(132,989)	-	-
Healthcare Revenue Note-Series 2018C	5,000,000	-	(111,198)	4,888,802	127,036
Healthcare Bond Anticipation Note- Series 2018B	50,000	14,815,152	-	14,865,152	54,706
Special assessments	329,385	-	(110,000)	219,385	110,000
	$ 15,747,374	$ 14,815,152	$ (919,187)	$ 29,643,339	$ 876,742

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Amounts Due Within One Year
General obligation hospital bonds, Series 2010A	$ 10,785,000	$ -	$ (550,000)	$ 10,235,000	$ 565,000
Equipment certificates of indebtedness	265,978	-	(132,989)	132,989	132,989
Healthcare Revenue Note-Series 2018C	-	5,000,000	-	5,000,000	101,800
Healthcare Bond Anticipation Note- Series 2018B	-	50,000	-	50,000	-
Special assessments	439,385	-	(110,000)	329,385	110,000
	$ 11,490,363	$ 5,050,000	$ (792,989)	$ 15,747,374	$ 909,789

General Obligation Bonds

The Hospital issued general obligation bonds to provide funds for acquisition and construction of major capital projects and refinancing outstanding obligations. General obligation bonds are direct obligations and pledge the full faith and credit of the Hospital and the City. General obligation bonds outstanding at December 31, 2019 and 2018, are as follows:

- 3.3% to 4.3% City of St. Peter General Obligation Hospital Crossover Refunding Bonds, Series 2010A (Bonds), due in varying annual installments or sinking fund requirements to September 1, 2032, secured by the revenues and assets of the Hospital. The general obligation bonds will be refinanced when the construction project is completed with the United States Department of Agriculture Community Facilities Direct Loan.

Healthcare Revenue Note- Series 2018C

The Hospital issued the City of St. Peter, Minnesota, Healthcare Revenue Note, Series 2018C (the Note) to finance the addition and remodeling project (Note 5). The Note is secured by a mortgage and a pledge of gross revenues. The Hospital made monthly interest payments until March 2019, when monthly installments commenced of $25,645 including interest at 3.672% until February 2044. The interest rate resets in 2029 and 2039.

Healthcare Bond Anticipation Note- Series 2018B

The Hospital has also issued the $24,146,000 City of St. Peter, Minnesota, Healthcare Bond Anticipation Note (BAN), Series 2018B, to finance the construction project (Note 5). The Hospital has drawn $14,865,152 on the BAN at December 31, 2019, and can draw an additional $9,280,848 to complete the construction project. The BAN is secured by a mortgage and a pledge of gross revenues. The Hospital has also obtained a Letter of Conditions from the United States Department of Agriculture (USDA) to provide a Community Facilities Direct Loan of $33,320,000 (Direct Loan), which will pay off the BAN and the remaining balance on the General Obligation Bonds, Series 2010A once the construction project is completed. The Direct Loan is anticipated to be issued in September 2020, will have a 3.5% interest rate, and will be due in monthly installments of $137,945 over the 35-year term of the loan. Scheduled maturities on the following page reflect the amount borrowed to date amortized over the term of the USDA Direct Loan.

Special Assessments

Special assessments due to the City of St. Peter are due in annual installments of $110,000, including interest at 0%, to March 2021, unsecured.

Scheduled debt service requirements for the Hospital's long-term debt are as follows:

	Bonds and Notes Payable		Special Assessments	
Years Ending December 31,	Principal	Interest	Principal	Interest
2020	$ 766,742	$ 686,310	$ 110,000	$ -
2021	959,762	1,046,602	109,385	-
2022	997,685	1,013,109	-	-
2023	1,031,079	977,665	-	-
2024	1,069,507	940,837	-	-
2025 to 2029	6,005,927	4,068,897	-	-
2030 to 2034	5,352,266	2,828,408	-	-
2035 to 2039	3,148,237	2,076,632	-	-
2040 to 2044	3,505,394	1,463,026	-	-
2045 to 2049	2,762,333	923,844	-	-
2050 to 2054	3,289,781	396,396	-	-
2055	535,242	7,978	-	-
Total	$ 29,423,955	$ 16,429,704	$ 219,385	$ -

Note 8 - Defined Benefit Pension Plan

A. Plan Description

The Hospital participates in the following cost sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

All full-time and certain part-time employees of the Organization are covered by the General Employees Plan (General Employees Plan or GEP). General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar years 2019 and 2018. The Hospital was required to contribute 7.50% for Coordinated Plan members in calendar years 2019 and 2018. The Hospital's contributions to the General Employees Fund (GEF) for the years ended December 31, 2019, 2018, and 2017 were $695,904, $648,056, and $621,628. The Hospital's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

At December 31, 2019 and 2018, the Hospital reported a liability of $7,248,224 and $7,332,818 for its proportionate share of the GEF's net pension liability. The Hospital's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2019 and 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Hospital totaled $225,324 and $240,149 at December 31, 2019 and 2018, respectively. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hospital's proportionate share of the net pension liability was based on the Hospital's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, and July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Hospital's proportionate share was 0.1311%, which was a decrease of 0.0009% from its proportionate share measured as of June 30, 2018. At June 30, 2018, the Hospital's proportionate share was 0.1320%, which was a decrease of 0.0018% for its proportionate share measured as of June 30, 2017.

	2019	2018
The Organization's proportionate share of the net pension liability	$ 7,248,224	$ 7,332,818
State of Minnesota's proportionate share of the net pension liability associated with the Organization	225,324	240,149
Total	$ 7,473,548	$ 7,572,967

For the years ended December 31, 2019 and 2018, the Hospital recognized an increase in pension expense of $211,508 and a reduction in pension expense of $248,650 for its proportionate share of GEP's pension expense. In addition, the Hospital recognized an additional $16,875 and $56,002 as pension expense for its proportionate share of the State of Minnesota's contribution of $16 million to the GEF.

At December 31, 2019 and 2018, the Hospital reported its proportionate share of GEP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ -	$ 770,050	$ -	$ 807,921
Changes in actuarial assumptions	-	576,654	662,949	830,477
Differences between expected and actual economic experience	202,807	-	196,348	202,411
Net pension liability change in proportion	176,599	94,902	353,197	127,644
Contributions paid to PERA subsequent to the measurement date	344,167	-	324,028	-
Total	$ 723,573	$ 1,441,606	$ 1,536,522	$ 1,968,453

$344,167 reported as deferred outflows of resources related to pensions resulting from the Hospital's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,	Amount
2020	$ (281,674)
2021	(633,580)
2022	(158,629)
2023	11,683

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 and 2018, actuarial valuation was determined using an individual entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	2019	2018
Inflation	2.50% per year	2.50% per year
Active member payroll growth	3.25% per year	3.25% per year
Investment rate of return	7.50% per year	7.50% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic equity	35.5%	5.10%
Private markets	25.0%	5.90%
Fixed income	20.0%	0.75%
International equity	17.5%	5.90%
Cash equivalents	2.0%	0.00%

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 and 2018 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employees will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

G. Pension Liability Sensitivity

The following presents the Hospital's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
December 31, 2019			
GEF discount rate	6.50%	7.50%	8.50%
The Hospital's proportionate share of the GEF net pension liability	$ 11,915,892	$ 7,248,224	$ 3,394,304
December 31, 2018			
GEF discount rate	6.50%	7.50%	8.50%
The Hospital's proportionate share of the GEF net pension liability	$ 11,900,518	$ 7,322,818	$ 3,544,059

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

Note 9 - Related Party Transactions

The City owns a medical office building and other space that is attached to the Hospital and issued bonds for this project. The Hospital will lease their portion of the medical office building over the life of the bonds, with an option to renew the lease. The Hospital has agreed to lease any space not leased to other tenants. The Hospital does not record this building or related debt in the financial statements, but has recorded lease expense related to this agreement for the years ended December 31, 2019 and 2018, totaling approximately $100,000. The Hospital had a payable to the City of approximately $27,000 and $32,000 as of December 31, 2019 and 2018. The Hospital also has special assessments due to the City of $219,385 and $329,385 at December 31, 2019 and 2018, (Note 7).

CMDI provides the equipment for CT scans and mammography services for the Hospital's patients. The Hospital billed and collected revenue for these services to patients and reimbursed CMDI $193,401 and $214,518 during 2019 and 2018, for the use of the equipment.

Note 10 - Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients as of December 31, 2019 and 2018, was as follows:

	2019	2018
Medicare	42%	45%
Medicaid and Blue Plus	2%	2%
Blue Cross	22%	21%
Other third-party payors	24%	22%
Patient pay	10%	10%
	100%	100%

Note 11 - Contingencies

Risk Management

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

Malpractice Insurance – Healthcare Industry

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of $1 million per claim and an annual aggregate limit of $3 million. The Hospital also has an umbrella policy on a claims-made basis for an additional $2 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Litigation, Claims, and Disputes

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

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

Self-Funded Dental Plan

The Hospital participates in a self-funded dental insurance plan. The plan is administered by an insurance company which determines the current funding requirements of participants under the terms of the plan and the liability for claims and assessments that would be payable at any given point in time. In connection therewith, the Hospital charged to operations a provision of $34,669 in 2019 and $33,363 in 2018, which represents the sum of actual claims paid and the actuarially determined estimates of liability relating to claims, both asserted and unasserted, resulting from incidents that occurred during those years for the dental plan. As of December 31, 2019 and 2018, the Hospital had $81,368 and $64,008 (Note 3), on deposit and an actuarially determined estimate of its outstanding loss reserves totaling $10,877 and $984, which is reported as a current liability at December 31, 2019 and 2018.

Collective Bargaining Agreement

As of December 31, 2019 and 2018, approximately 16%, of the Hospital's employees were represented by a collective bargaining unit. The labor agreement expires on December 31, 2019 (a new agreement is being negotiated).

Note 12 - Condensed Combining Information

The following summarizes combining information for the Hospital and the Foundation which has been presented as a blended component unit as of December 31, 2019 and 2018:

Table 1: Assets, Liabilities, and Net Position

	2019			2018		
	Hospital	Foundation	Total	Hospital	Foundation	Total
Assets and deferred outflows of resources						
Current assets	$ 12,612,599	$ 26,883	$ 12,639,482	$ 15,230,338	$ 26,947	$ 15,257,285
Capital assets, net	34,286,789	12,100	34,298,889	20,404,145	12,097	20,416,242
Other noncurrent assets	3,367,535	-	3,367,535	3,422,009	-	3,422,009
Deferred outflows of resources	723,573	-	723,573	1,536,522	-	1,536,522
Total assets and deferred outflows of resources	$ 50,990,496	$ 38,983	$ 51,029,479	$ 40,593,014	$ 39,044	$ 40,632,058
Liabilities and deferred inflows of resources						
Current liabilities	$ 6,604,354	$ -	$ 6,604,354	$ 10,550,741	$ -	$ 10,550,741
Long-term liabilities	36,014,821	-	36,014,821	22,160,403	-	22,160,403
Deferred inflows of resources	1,441,606	-	1,441,606	1,968,453	-	1,968,453
Total liabilities and deferred inflows of resources	44,060,781	-	44,060,781	34,679,597	-	34,679,597
Net position						
Net investment in capital assets	1,971,390	-	1,971,390	2,831,302	-	2,831,302
Unrestricted	4,958,325	38,983	4,997,308	3,082,115	39,044	3,121,159
Total net position	6,929,715	38,983	6,968,698	5,913,417	39,044	5,952,461
Total liabilities and deferred inflows of resources and net position	$ 50,990,496	$ 38,983	$ 51,029,479	$ 40,593,014	$ 39,044	$ 40,632,058

Table 2: Operating Results and Changes in Net Position

	2019			2018		
	Hospital	Foundation	Total	Hospital	Foundation	Total
Operating revenues						
Net patient service revenue	$ 38,633,526	$ -	$ 38,633,526	$ 38,672,915	$ -	$ 38,672,915
Other revenue	235,746	-	235,746	229,626	-	229,626
Total operating revenues	38,869,272	-	38,869,272	38,902,541	-	38,902,541
Operating expenses						
Depreciation	1,566,377	-	1,566,377	1,225,312	-	1,225,312
Other operating expenses	35,925,508	402	35,925,910	34,030,230	372	34,030,602
Total operating expenses	37,491,885	402	37,492,287	35,255,542	372	35,255,914
Operating income (loss)	1,377,387	(402)	1,376,985	3,646,999	(372)	3,646,627
Nonoperating revenues (expenses)						
Interest expense	$ (390,161)	$ -	$ (390,161)	$ (409,453)	$ -	$ (409,453)
Debt issuance costs	(5,742)	-	(5,742)	(759,440)	-	(759,440)
Investment income	80,078	81	80,159	64,679	33	64,712
Noncapital contributions and grants	260	-	260	10,050	-	10,050
Other	(45,524)	260	(45,264)	(10,354)	10,049	(305)
Total nonoperating revenue (expenses), net	(361,089)	341	(360,748)	(1,104,518)	10,082	(1,094,436)
Revenues in excess of (less than) expenses and change in net position	1,016,298	(61)	1,016,237	2,542,481	9,710	2,552,191
Net position, beginning of year,	5,913,417	39,044	5,952,461	3,370,936	29,334	3,400,270
Net position, end of year	$ 6,929,715	$ 38,983	$ 6,968,698	$ 5,913,417	$ 39,044	$ 5,952,461

Table 3: Cash Flows

	2019			2018		
	Hospital	Foundation	Total	Hospital	Foundation	Total
Net cash from (used for) operating activities	$ 161,566	$ (402)	$ 161,164	$ 5,979,669	$ (372)	$ 5,979,297
Net cash from noncapital financing activities	52	260	312	9,842	10,049	19,891
Net cash used for capital and related financing activities	(2,869,451)	(3)	(2,869,454)	(5,803,199)	-	(5,803,199)
Net cash from investing activities	253,374	81	253,455	120,835	33	120,868
Net change in cash and cash equivalents	(2,454,459)	(64)	(2,454,523)	307,147	9,710	316,857
Cash and cash equivalents, beginning of year	12,315,118	26,947	12,342,065	12,007,971	17,237	12,025,208
Cash and cash equivalents, end of year	$ 9,860,659	$ 26,883	$ 9,887,542	$ 12,315,118	$ 26,947	$ 12,342,065

Note 13 - Subsequent Events

Subsequent to year-end, the Hospital has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Hospital is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Hospital's financial position is not known.

In April 2020, the Hospital applied for and was granted a $1,677,630 loan under the Paycheck Protection Program administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are not required to begin for six months to one year after the funding of the loan. The Hospital is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Hospital intends to take measures to maximize the loan forgiveness but cannot reasonably determine the portion of the loan that will ultimately be forgiven.

As part of a grant under the Coronavirus Aid, Relief, and Economic Security (CARES) Act the Hospital received $4,792,899 from the U.S. Department of Health and Human Services in April and May 2020..

The Hospital has evaluated subsequent events through May 21, 2020, the date which the financial statements were available to be issued.

Required Supplementary Information
December 31, 2019 and 2018

River's Edge Hospital and Clinic

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Schedule of Employer's Share of Net Pension Liability
Last Ten Fiscal Years *

Pension Plan	Measurement Date	Employer's Proportionate Share (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the Organization (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the Organization (a+b)	Employer's Covered-Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2019	0.1311%	$ 7,248,224	$ 225,324	$ 7,473,548	$ 8,959,733	83.4%	80.23%
PERA	6/30/2018	0.1320%	7,322,818	240,149	7,562,967	8,464,560	89.3%	79.53%
PERA	6/30/2017	0.1338%	8,541,703	107,394	8,649,097	7,964,133	108.6%	75.90%
PERA	6/30/2016	0.1251%	10,157,500	132,625	10,290,125	7,169,533	143.5%	68.91%
PERA	6/30/2015	0.1283%	6,649,172	-	6,649,172	7,502,227	88.6%	78.19%
PERA	6/30/2014	0.1291%	6,064,471	-	6,064,471	7,014,472	86.5%	78.75%

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

Schedule of Employer's Contributions
Last Ten Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contribution in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
PERA	12/31/2019	$ 695,904	$ 695,904	$ -	$ 9,278,720	7.5%
PERA	12/31/2018	648,056	648,056	-	8,640,747	7.5%
PERA	12/31/2017	621,628	621,628	-	8,288,373	7.5%
PERA	12/31/2016	572,992	572,992	-	7,639,893	7.5%
PERA	12/31/2015	502,438	502,438	-	6,699,173	7.5%
PERA	12/31/2014	501,508	501,508	-	6,686,773	7.5%

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

Supplementary Information
December 31, 2019 and 2018

River's Edge Hospital and Clinic

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Supplementary Information

The Hospital Commission
River's Edge Hospital and Clinic
St. Peter, Minnesota

We have audited the financial statements of River's Edge Hospital and Clinic as of and for the years ended December 31, 2019 and 2018, and our report thereon dated May 21, 2020, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information on pages 34 to 41 is presented for the purpose of additional analysis and is not a required part of the 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Minneapolis, Minnesota
May 21, 2020

	2019		
	Inpatient	Outpatient	Total
Patient Service Revenue			
Routine services			
Medical/Surgical	$ 14,436,188	$ 1,029,826	$ 15,466,014
Swing bed	777,978	(2,366)	775,612
Transitional/Respite	43,583	-	43,583
Total routine services	15,257,749	1,027,460	16,285,209
Ancillary services			
Operating room	28,102,161	4,501,510	32,603,671
Radiology	311,694	1,173,956	1,485,650
Ultrasound	48,187	219,267	267,454
CT scans, MRI, and nuclear medicine	84,011	2,599,237	2,683,248
Laboratory	886,684	3,593,399	4,480,083
Physical, occupational, and speech therapy	1,551,684	2,190,161	3,741,845
Infusion therapy	3,968	313,929	317,897
EKG, EEG, and EMG	32,224	189,716	221,940
Cardiac rehab	-	407,658	407,658
Central supply	655,319	51,907	707,226
Pharmacy	1,367,474	1,760,630	3,128,104
Emergency room	68,911	4,775,670	4,844,581
Urgent care	-	682,688	682,688
Ambulance	31,331	3,554,615	3,585,946
Recovery room	538,980	133,221	672,201
Live Well fitness	-	31,079	31,079
Total ancillary services	33,682,628	26,178,643	59,861,271
Total routine and ancillary services	$ 48,940,377	$ 27,206,103	76,146,480
Charity care			(831,610)
Total gross patient service revenue			75,314,870
Contractual adjustments and provision for bad debts			
Contractual adjustments			(35,305,684)
Provision for bad debts			(1,375,660)
Net patient service revenue			$ 38,633,526

	2018		
	Inpatient	Outpatient	Total
Patient Service Revenue			
Routine services			
Medical/Surgical	$ 12,650,166	$ 525,600	$ 13,175,766
Swing bed	285,436	2,596	288,032
Transitional/Respite	6,687	-	6,687
Total routine services	12,942,289	528,196	13,470,485
Ancillary services			
Operating room	29,973,509	3,908,308	33,881,817
Radiology	321,400	1,204,664	1,526,064
Ultrasound	106,746	267,108	373,854
CT scans, MRI, and nuclear medicine	153,214	3,377,685	3,530,899
Laboratory	851,778	3,784,849	4,636,627
Physical, occupational, and speech therapy	1,515,048	2,089,800	3,604,848
Infusion therapy	7,971	269,213	277,184
EKG, EEG, and EMG	39,382	188,390	227,772
Cardiac rehab	-	308,002	308,002
Central supply	596,385	522,515	1,118,900
Pharmacy	1,432,220	1,553,970	2,986,190
Emergency room	57,511	4,957,524	5,015,035
Urgent care	-	854,658	854,658
Ambulance	10,420	3,136,443	3,146,863
Recovery room	549,772	100,364	650,136
Live Well fitness	-	37,850	37,850
Total ancillary services	35,615,356	26,561,343	62,176,699
Total routine and ancillary services	$ 48,557,645	$ 27,089,539	75,647,184
Charity care			(582,887)
Total gross patient service revenue			75,064,297
Contractual adjustments and provision for bad debts			
Contractual adjustments			(35,051,340)
Provision for bad debts			(1,340,042)
Net patient service revenue			$ 38,672,915

	Salaries	Supplies and Other Expenses	Total
Nursing Services			
Nursing administration	$ 171,132	$ 10,743	$ 181,875
Nursing services	1,957,503	1,528,102	3,485,605
Total nursing services	2,128,635	1,538,845	3,667,480
Other Professional Services			
Operating room	957,838	10,926,448	11,884,286
Anesthesiology	-	76,415	76,415
Radiology	522,423	218,619	741,042
Ultrasound	58,806	10,230	69,036
CT scans, MRI, and nuclear medicine	-	149,300	149,300
Laboratory	495,168	553,114	1,048,282
Infusion therapy	124,847	7,608	132,455
Respiratory therapy	-	18,048	18,048
Physical, occupational, and speech therapy	905,089	103,569	1,008,658
EKG, EEG and EMG	3,287	1,162	4,449
Cardiac rehab	57,789	14,307	72,096
Pharmacy	327,584	1,605,122	1,932,706
Urgent care	172,841	332,465	505,306
Emergency room	750,055	1,864,720	2,614,775
Emergency room preparedness	3,749	701	4,450
Ambulance	-	1,162,511	1,162,511
Outpatient clinic	60,759	100,399	161,158
Live Well fitness	35,504	15,107	50,611
Employee health	55,547	11,354	66,901
Total other professional services	4,531,286	17,171,199	21,702,485

	Salaries	Supplies and Other Expenses	Total
General and Administrative Services			
Business office	$ 1,204,059	$ 425,568	$ 1,629,627
Medical records	309,725	118,584	428,309
Information services	265,534	529,871	795,405
Community relations	121,928	266,684	388,612
Dietary	44,021	2,316	46,337
Environmental	79,148	3,676	82,824
Materials management	164,233	9,269	173,502
Quality management/education	205,467	72,833	278,300
Employee benefits	-	3,309,514	3,309,514
Administration	318,131	1,492,138	1,810,269
MinnesotaCare tax	-	725,643	725,643
Foundation	-	402	402
Total general and administrative services	2,712,246	6,956,498	9,668,744
Property and Household Services			
Plant and maintenance	204,653	424,490	629,143
Housekeeping	205,562	52,496	258,058
Total property and household services	410,215	476,986	887,201
Depreciation	-	1,566,377	1,566,377
Total operating expenses	$ 9,782,382	$ 27,709,905	$ 37,492,287

	Salaries	Supplies and Other Expenses	Total
Nursing Services			
Nursing administration	$ 168,652	$ 10,693	$ 179,345
Nursing services	1,823,430	1,359,369	3,182,799
Total nursing services	1,992,082	1,370,062	3,362,144
Other Professional Services			
Operating room	1,074,775	10,926,307	12,001,082
Anesthesiology	-	131,883	131,883
Radiology	478,603	207,279	685,882
Ultrasound	57,377	18,056	75,433
CT scans, MRI, and nuclear medicine	-	191,797	191,797
Laboratory	541,895	517,967	1,059,862
Infusion therapy	73,933	9,872	83,805
Respiratory therapy	-	12,924	12,924
Physical, occupational, and speech therapy	898,787	66,487	965,274
EKG, EEG and EMG	194	573	767
Cardiac rehab	55,038	12,108	67,146
Pharmacy	278,306	1,597,134	1,875,440
Urgent care	127,987	360,180	488,167
Emergency room	729,086	2,117,461	2,846,547
Emergency room preparedness	1,073	11,101	12,174
Ambulance	-	1,060,280	1,060,280
Outpatient clinic	37,699	127,470	165,169
Live Well fitness	33,849	15,727	49,576
Employee health	69,513	4,436	73,949
Total other professional services	4,458,115	17,389,042	21,847,157

	Salaries	Supplies and Other Expenses	Total
General and Administrative Services			
Business office	$ 1,190,221	$ 362,132	$ 1,552,353
Medical records	310,237	99,233	409,470
Information services	265,387	520,857	786,244
Community relations	94,957	265,638	360,595
Dietary	42,054	2,134	44,188
Environmental	74,612	2,193	76,805
Materials management	141,623	17,791	159,414
Quality management/education	205,512	63,581	269,093
Employee benefits	-	2,581,081	2,581,081
Administration	308,317	844,603	1,152,920
MinnesotaCare tax	-	625,513	625,513
Foundation	-	372	372
Total general and administrative services	2,632,920	5,385,128	8,018,048
Property and Household Services			
Plant and maintenance	202,442	353,885	556,327
Housekeeping	202,921	44,005	246,926
Total property and household services	405,363	397,890	803,253
Depreciation	-	1,225,312	1,225,312
Total operating expenses	$ 9,488,480	$ 25,767,434	$ 35,255,914

River's Edge Hospital and Clinic

Balance Sheets – Foundation

December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 26,883	$ 26,947
Property and Equipment	12,100	12,097
Total assets	$ 38,983	$ 39,044
Net Assets		
Unrestricted	$ 38,983	$ 39,044

	2019	2018
Operating Expenses		
General and administrative services	$ 402	$ 372
Nonoperating Revenues		
Contributions	260	10,049
Investment income	81	33
Total nonoperating revenues	341	10,082
Change in Net Assets	(61)	9,710
Net Assets, Beginning of Year	39,044	29,334
Net Assets, End of Year	$ 38,983	$ 39,044

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Minnesota Legal Compliance

The Hospital Commission
River's Edge Hospital and Clinic
St. Peter, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of River's Edge Hospital and Clinic (the Hospital) as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated May 21, 2020.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the Hospital does not participate in any contracts related to tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that the Hospital failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions,* except for $126,502 of deposits were not properly collateralized at December 31, 2019. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Hospital's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the Hospital and the State Auditor of Minnesota and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Minneapolis, Minnesota
May 21, 2020