

Memorial Hospital of Lafayette County
An Enterprise Fund of Lafayette County

Darlington, Wisconsin

**Financial Statements, Required Supplemental
Information, and Supplementary Information**

Years Ended December 31, 2019 and 2018

Memorial Hospital of Lafayette County

Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

Board of Trustees
Memorial Hospital of Lafayette County
Darlington, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Memorial Hospital of Lafayette County, an enterprise fund of Lafayette County, Wisconsin, which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 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 Memorial Hospital of Lafayette County as of December 31, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements present only the financial information of Memorial Hospital of Lafayette County and do not purport to, and do not, present fairly the financial position of Lafayette County, Wisconsin as of December 31, 2019 and 2018, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that schedules of the employer's proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System (WRS) and schedule of changes in the employer's total OPEB liability and related ratios on pages 37 and 38 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, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require 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 this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information appearing on pages 40 through 42 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2020, on our consideration of Memorial Hospital of Lafayette County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Memorial Hospital of Lafayette County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Memorial Hospital of Lafayette County's internal control over financial reporting and compliance.

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

Wipfli LLP

July 22, 2020
Eau Claire, Wisconsin

Memorial Hospital of Lafayette County

Statements of Net Position

<i>December 31,</i>	2019	2018
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 1,896,821	\$ 635,005
Patient receivables - Net	2,908,098	3,741,658
Other receivables	114,284	147,331
Inventories	398,374	346,313
Prepaid expenses	280,016	287,696
Amounts receivable from third-party reimbursement programs	308,218	180,000
Total current assets	5,905,811	5,338,003
Noncurrent assets:		
Other assets:		
Investment in unconsolidated affiliate	30,793	-
Restricted - Net pension assets	-	1,074,000
Total other assets	30,793	1,074,000
Capital assets:		
Land	106,159	79,999
Construction in progress	296,295	248,011
Depreciable capital assets - Net of accumulated depreciation	5,593,783	5,654,394
Capital assets - Net	5,996,237	5,982,404
Total noncurrent assets	6,027,030	7,056,404
Total assets	11,932,841	12,394,407
Deferred outflows of resources:		
Related to pensions	3,475,141	1,927,064
Related to OPEB	40,913	41,828
Total deferred outflows of resources	3,516,054	1,968,892
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 15,448,895	\$ 14,363,299

Memorial Hospital of Lafayette County

Statements of Net Position (Continued)

<i>December 31,</i>	2019	2018
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Current portion of capital leases payable	\$ 72,351	\$ 64,251
Current portion of long-term debt	337,517	306,285
Accounts payable	358,791	467,739
Accrued payroll and payroll taxes	352,175	338,941
Accrued interest	4,251	4,251
Current portion of compensated absences	248,045	257,401
Total current liabilities	1,373,130	1,438,868
Noncurrent liabilities:		
Capital leases payable	104,922	145,117
Long-term debt	2,259,534	2,595,950
Compensated absences	461,887	550,007
Pension liability - Net	1,441,730	-
OPEB liability	376,442	384,944
Total noncurrent liabilities	4,644,515	3,676,018
Total liabilities	6,017,645	5,114,886
Deferred inflows of resources - Related to pensions	1,746,432	2,262,429
Deferred inflows of resources - Related to OPEB	13,643	-
Total deferred inflows of resources	1,760,075	2,262,429
Net position:		
Net investment in capital assets	3,221,913	2,870,801
Restricted for pension benefits	-	1,074,000
Unrestricted	4,449,262	3,041,183
Total net position	7,671,175	6,985,984
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 15,448,895	\$ 14,363,299

See accompanying notes to financial statements.

Memorial Hospital of Lafayette County

Statements of Revenue, Expenses, and Changes in Net Position

<i>Years Ended December 31,</i>	2019	2018
Operating revenue:		
Net patient service revenue	\$ 21,846,411	\$ 19,842,028
Other revenue	12,394	9,288
Total operating revenue	21,858,805	19,851,316
Operating expenses:		
Operating expenses	20,360,362	19,139,659
Depreciation	819,619	800,781
Total operating expenses	21,179,981	19,940,440
Income (loss) from operations	678,824	(89,124)
Nonoperating revenue (expenses):		
Miscellaneous income	86,113	86,133
Investment income	1,883	657
Interest expense	(93,422)	(103,851)
Contributions and grants	31,000	19,507
Equity in unconsolidated affiliate	30,793	-
Total nonoperating revenue - Net	56,367	2,446
Income (loss) before transfers	735,191	(86,678)
Funds transferred to Lafayette County	(50,000)	-
Change in net position	685,191	(86,678)
Net position at beginning of year	6,985,984	7,072,662
Net position at end of year	\$ 7,671,175	\$ 6,985,984

See accompanying notes to financial statements.

Memorial Hospital of Lafayette County

Statements of Cash Flows

<i>Years Ended December 31,</i>	2019	2018
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Cash received from and on behalf of patients	\$ 22,389,298	\$ 18,842,257
Cash payments for employee compensation and fringe benefits	(9,731,184)	(7,186,846)
Cash paid to suppliers and contractors for goods and services	(10,145,046)	(11,230,120)
Other receipts from operations other than patient services	12,394	9,288
Net cash provided by operating activities	2,525,462	434,579
Cash flows from investing activities - Investment income	1,883	657
Cash flows from non-capital financing activities:		
Grants and contributions	31,000	19,507
Funds transferred to County	(50,000)	-
Miscellaneous income	86,113	86,133
Net cash provided by non-capital financing activities	67,113	105,640
Cash flows from capital and related financing activities:		
Payments on capital lease obligations	(69,080)	(50,262)
Proceeds from long-term debt	-	810,417
Payments on long-term debt	(305,184)	(272,342)
Interest paid	(93,422)	(100,250)
Purchase of capital assets	(864,956)	(1,071,928)
Net cash used in capital and related financing activities	(1,332,642)	(684,365)
Increase (decrease) in cash and cash equivalents	1,261,816	(143,489)
Cash and cash equivalents at beginning	635,005	778,494
Cash and cash equivalents at end	\$ 1,896,821	\$ 635,005

Memorial Hospital of Lafayette County

Statements of Cash Flows (Continued)

<i>Years Ended December 31,</i>	2019	2018
Reconciliation of income (loss) from operations to net cash provided by operating activities:		
Income (loss) from operations	\$ 678,824	\$ (89,124)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Depreciation	819,619	800,781
Provision for bad debts	195,502	571,741
Changes in assets and liabilities:		
Patient receivables - Net	638,058	(751,386)
Other receivables	33,047	6,615
Amounts receivable from third-party reimbursement programs	(128,218)	(180,000)
Inventories	(52,061)	(12,989)
Prepaid expenses	7,680	129
Net pension asset	1,074,000	(1,297,159)
Deferred outflows of resources related to pensions	(1,548,077)	(143,765)
Deferred inflows of resources related to pensions	(515,997)	1,568,037
OPEB liability	(8,502)	48,004
Deferred outflows of resources related to OPEB	915	(41,828)
Deferred inflows of resources related to OPEB	13,643	-
Pension liability - Net	1,441,730	-
Accounts payable	(40,459)	(99,884)
Accrued payroll and payroll taxes	13,234	53,333
Accounts payable to third-party reimbursement programs	-	(75,000)
Compensated absences	(97,476)	77,074
Total adjustments	1,846,638	523,703
Net cash provided by operating activities	\$ 2,525,462	\$ 434,579
Noncash capital and related financing activities:		
Equipment financed through capital leases	\$ 36,985	\$ 57,498
Capital assets included in accounts payable	-	68,489

See accompanying notes to financial statements.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Introduction

Memorial Hospital of Lafayette County (the "Hospital") operates as a 25-bed acute care critical access hospital, two rural health clinics, and an independent clinic owned and operated by Lafayette County (the "County"). The Hospital provides comprehensive medical, surgical, emergency, outpatient, and clinical healthcare services. Its governing body consists of six members, of whom five are appointed from the Lafayette County Board of Supervisors.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Hospital is presented as an enterprise fund of the County. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or for which the governing body has decided that the determination of revenues earned, costs incurred, and net income is necessary for management accountability.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with GAAP requires management to make certain estimates and assumptions that directly 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 revenue and expenses during the reporting period. Actual results may differ from these estimates.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Deposits and Investments

For purposes of the statements of cash flows, the Hospital considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents. Investment of Hospital funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank, or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The County follows the state statute for allowable investments, but has not formally adopted an investment policy.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Adjustments necessary to record investments at fair value are recorded in the statements of revenue, expenses, and changes in net position as increases or decreases in investment income.

Patient Receivables and Credit Policy

Patient receivables are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Hospital bills third-party payors on each patient's behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on patient receivables are applied to the specific claim identified on the remittance advice or statement. The Hospital does not have a policy to charge interest on past due accounts.

Patient receivables are recorded in the accompanying statements of net position net of contractual adjustments and an allowance for uncollectible accounts, which reflect management's best estimate of the accounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross patient service revenue and a credit to patient receivables. In addition, management provides for probable uncollectible amounts, primarily uninsured patients and amounts for which patients are personally responsible for, through a charge to operations and a credit to a valuation allowance based on its assessment of historical collection likelihood and the current status of individual accounts.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Receivables and Credit Policy (Continued)

In evaluating the collectibility of patient receivables, the Hospital analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Inventories

Inventories of supplies are valued at the lower of cost, determined on the first-in, first-out (FIFO) method, or market.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the accompanying financial statements.

Capital Assets and Depreciation

Capital assets are recorded at cost or, if donated, at acquisition value at the date of donation. The Hospital maintains a threshold level of a unit or group cost of \$5,000 or more and an estimated useful life in excess of one year for capitalizing capital assets. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the estimated useful life of the equipment. Such amortization is included with depreciation expense in the accompanying financial statements. Estimated useful lives range from three to twenty-five years for movable and building equipment and five to forty years for land improvements and buildings.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Impairment

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital assets is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital assets. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses, if any, are reported in the statements of revenue, expenses, and changes in net position. There were no impairment losses recorded in the years ended December 31, 2019 and 2018.

Environmental Remediation Obligations

The Hospital accounts for the fair value of legal obligations associated with environmental remediation obligations in accordance with accounting guidance. Management has considered this accounting guidance, specifically as it relates to its legal obligation to perform environmental remediation activities, such as asbestos removal, on its existing properties. Management of the Hospital believes that any potential liability related to environmental remediation obligations would not be significant. As a result, no liability related to these remediation activities has been recognized as of December 31, 2019 and 2018.

Compensated Absences

Under terms of employment, employees are granted sick leave, vacation, and personal benefits in varying amounts.

The Hospital's employees earn one day of sick leave per month. Employees can accumulate a maximum of 960 hours. Under the County's personnel policy, employees who retire under the Wisconsin Retirement System or retire due to disability shall have their accumulated sick leave paid out to them at their current rate of pay. The payment may be in the form of a lump sum or in bi-weekly installments. At the end of each calendar year, the Hospital shall pay each employee 50% of the excess over the 960 hour maximum accumulation. The accrued liability for sick leave and vacation was estimated using probabilities based on the age of each employee.

Payments for sick leave, vacation, and personal days will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2019 and 2018, are determined on the basis of current salary rates. All vested vacation and sick leave pay is accrued when incurred in the Hospital financial statements.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section of deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Hospital reports deferred outflows of resources for its proportionate shares of collective deferred outflows of resources related to pensions, deferred outflows of resource to the OPEB plan, and the Hospital contributions to pension and OPEB plans subsequent to the measurement date of the collective net pension liability (asset) and total OPEB liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Hospital reports deferred inflows of resources for its proportionate share of collective deferred inflows of resources related to pensions and deferred inflows of resources related to the OPEB plan.

Pension Plan

For purposes of measuring the Net Pension Liability (Asset), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, and Pension Expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted for pension benefits related to the Hospital's pension plan. Unrestricted net position is remaining net position that does not meet the definitions above.

Operating Revenue and Expenses

The Hospital's statements of revenue, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue includes exchange transactions associated with providing healthcare services other than noncapital grants and contributions. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs. Nonoperating revenue and expenses are those transactions not considered directly linked to providing healthcare services.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. Certain third-party payor reimbursement agreements are subject to audit and retroactive adjustments. 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.

For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a provision for bad debts related to uninsured patients in the period the services are provided.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Hospital maintains records to identify the amount of charges foregone for services and supplies furnished under the charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue in the accompanying statements of revenue, expenses, and changes in net position.

Grants and Contributions

The Hospital receives grants as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met.

Advertising Costs

Advertising costs are expensed as incurred.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through July 22, 2020, which is the date the financial statements were available to be issued.

Subsequent to the year ended December 31, 2019, the nation in general, and healthcare-related entities specifically, have been faced with a global pandemic. As healthcare entities prepare for the crisis, operational changes have been made to delay routine visits and elective procedures and reevaluation of the entire care delivery model to care for patient needs, specifically those affected by COVID-19. The financial impact on the economy in general and healthcare-related entities specifically is undeterminable at this time; however, it is anticipated by the Hospital that both operational performance and cash flows for healthcare-related entities will be impacted.

See Note 17 for subsequent event disclosure.

Note 2: Reimbursement Arrangements With Third-Party Payors

The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts that vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

Hospital Services

Medicare – The Hospital is designated as a critical access hospital (CAH) with reimbursement based upon cost for inpatient, swing bed, and outpatient services with the exception of certain lab and radiology services, which are reimbursed based on fee schedules. Professional services provided by physicians and other clinicians are reimbursed based upon prospectively determined fee schedules.

Medicaid – Under legislation enacted by the State of Wisconsin (the “State”), eligible CAHs, including the Hospital, are required to pay the State an annual assessment. The assessment is based on each hospital's gross inpatient revenue, as defined. The revenue generated from the assessment is to be used, in part, to increase overall reimbursement under the Wisconsin Medicaid program through the development of an access payment system. The Wisconsin Medicaid program pays a hospital-specific amount per discharge or visit for inpatient and outpatient services adjusted by patient acuity, determined based on prior hospital cost reports, plus an additional access payment on outpatient services. Professional services provided by physicians and other clinicians in the hospital setting continue to be reimbursed on prospectively determined fee schedules.

Other Payors – The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and State of Wisconsin county agencies. 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.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 2: Reimbursement Arrangements With Third-Party Payors (Continued)

Clinic Services

Certain physician and professional services rendered to Medicare and Medicaid beneficiaries qualify for reimbursement as Medicare-approved rural health clinic services. Qualifying services are reimbursed based on a cost-reimbursement methodology. All other physician and professional services rendered to Medicare and Medicaid beneficiaries are paid based on prospectively determined fee schedules.

Accounting for Contractual Arrangements

The Hospital is reimbursed for certain cost-reimbursable items at interim rates with final settlements determined after audit of the related annual cost reports by the respective Medicare and Medicaid fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying financial statements. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2017.

Note 3: Cash and Cash Equivalents

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 the Hospital. Amounts on deposit in the state of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the combined amount of all time and savings accounts (including NOW accounts) and \$250,000 for all demand deposit accounts (interest-bearing and non-interest-bearing). Accounts at each institution outside the state of Wisconsin are insured by the FDIC up to \$250,000 for the combined total of all deposit accounts. In addition, the State of Wisconsin Public Depository Guarantee Fund guarantees the Hospital's deposits up to \$400,000 per public depository. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available. The cash for the Hospital is commingled with the County and held by the County treasurer in local bank accounts. Collateral risk is managed by the County treasurer.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 4: Patient Receivables

Patient receivables - net consisted of the following at December 31:

	2019	2018
Patient receivables	\$ 5,616,001	\$ 6,781,658
Less:		
Contractual adjustments	2,321,000	2,740,000
Allowance for uncollectible accounts	386,903	300,000
Patient receivables - Net	\$ 2,908,098	\$ 3,741,658

Note 5: Net Patient Service Revenue

Net patient service revenue consisted of the following for the years ended December 31:

	2019	2018
Gross patient service revenue:		
Inpatient services	\$ 8,470,486	\$ 7,568,715
Outpatient services	28,207,355	24,548,803
Clinic and other services	7,560,856	6,650,637
Total gross patient service revenue	44,238,697	38,768,155
Less:		
Contractual adjustments	22,196,784	18,354,386
Provision for bad debts	195,502	571,741
Net patient service revenue	\$ 21,846,411	\$ 19,842,028

The following table reflects the approximate portion of gross patient service revenue provided to patients whose bills were paid in full or in part by the following programs or third-party payors, which are considered to be the significant sources of revenue for the Hospital, for the years ended December 31:

	2019	2018
Medicare and Medicare Advantage plans	54 %	51 %
Medicaid and Medicaid Health Maintenance Organization (HMO) plans	8	7
Other third-party payors	36	40
Private pay	2	2
Totals	100 %	100 %

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 6: Charity Care

The Hospital provides healthcare services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, including the health of low-income patients. Consistent with the mission of the Hospital, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources or are underinsured.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care without charge or at a reduced rate, determined based on qualifying criteria as defined in the Hospital's charity care policy and from applications completed by patients and their families.

Benefits for the community also include health screenings, community education through seminars and classes, and other health-related services.

The estimated cost of providing care to patients under the Hospital's charity care policy was approximately \$42,000 and \$73,000 in 2019 and 2018, respectively. The cost was calculated by multiplying the ratio of cost to gross charges for the Hospital times the gross uncompensated charges associated with providing the charity care.

Note 7: Investment in Unconsolidated Affiliate

During 2019, the Hospital became a member of Central Minnesota Diagnostic, Inc. ("CMDI"), a joint venture cooperative. CMDI provides 3D mammography services to member hospitals and clinics. Earnings or losses of the cooperative are allocated to the members based on utilization of services. The investment in CMDI is accounted for under the equity method for financial reporting purposes.

The Hospital's share of the operating results for this investment is included in the statement of revenue, expenses, and changes in net position.

	2019	
	Investments	Equity in Operating Results
CMDI	\$ 30,793	\$ 30,793

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 8: Capital Assets

A summary of changes in capital assets for 2019 follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
Nondepreciable capital assets:				
Land	\$ 79,999	\$ 26,160	\$ -	\$ 106,159
Construction in progress	248,011	453,284	405,000	296,295
Total nondepreciable capital assets	328,010	479,444	405,000	402,454
Depreciable capital assets:				
Land improvements	156,891	-	-	156,891
Buildings	8,875,924	458,024	-	9,333,948
Buildings equipment	507,057	53,417	-	560,474
Movable equipment	5,127,257	237,074	-	5,364,331
Intangible assets - Computer software	968,125	10,493	-	978,618
Total depreciable capital assets	15,635,254	759,008	-	16,394,262
Less accumulated depreciation for:				
Land improvements	85,605	3,888	-	89,493
Buildings	5,591,232	309,732	-	5,900,964
Buildings equipment	422,221	14,785	-	437,006
Movable equipment	3,728,683	352,932	-	4,081,615
Intangible assets - Computer software	153,119	138,282	-	291,401
Total accumulated depreciation	9,980,860	819,619	-	10,800,479
Net depreciable capital assets	5,654,394	(60,611)	-	5,593,783
Total capital assets - Net	\$ 5,982,404	\$ 418,833	\$ 405,000	\$ 5,996,237

The cost of equipment under capital lease obligations, which is included in movable equipment, was \$361,487 and the related accumulated amortization was \$225,952 at December 31, 2019.

The construction in progress relates to the Argyle Clinic remodeling project. The Hospital has estimated additional costs to complete this project in 2020 of approximately \$972,000 to be funded using operating cash.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 8: Capital Assets (Continued)

A summary of changes in capital assets for 2018 follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
Nondepreciable capital assets:				
Land	\$ 79,999	\$ -	\$ -	\$ 79,999
Construction in progress	-	248,011	-	248,011
Total nondepreciable capital assets	79,999	248,011	-	328,010
Depreciable capital assets:				
Land improvements	156,891	-	-	156,891
Buildings	8,846,065	29,859	-	8,875,924
Buildings equipment	483,606	23,451	-	507,057
Movable equipment	4,853,163	274,094	-	5,127,257
Intangible assets - Computer software	968,125	-	-	968,125
Total depreciable capital assets	15,307,850	327,404	-	15,635,254
Less accumulated depreciation for:				
Land improvements	81,717	3,888	-	85,605
Buildings	5,291,267	299,965	-	5,591,232
Buildings equipment	381,084	41,137	-	422,221
Movable equipment	3,409,075	319,608	-	3,728,683
Intangible assets - Computer software	16,936	136,183	-	153,119
Total accumulated depreciation	9,180,079	800,781	-	9,980,860
Net depreciable capital assets	6,127,771	(473,377)	-	5,654,394
Total capital assets - Net	\$ 6,207,770	\$ (225,366)	\$ -	\$ 5,982,404

The cost of equipment under capital lease obligations, which is included in movable equipment, was \$324,502 and the related accumulated amortization was \$148,931 at December 31, 2018.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 9: Long-Term Debt

Long-term obligations activity for the year ended December 31, 2019, was as follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19	Amounts Due Within One Year
Notes from direct borrowings:					
General obligation debt	\$ 411,781	\$ -	\$ 64,437	\$ 347,344	\$ 66,027
General obligation debt	1,256,659	-	145,021	1,111,638	148,376
General obligation debt	1,233,795	-	95,726	1,138,069	123,114
Total notes from direct borrowings	2,902,235	-	305,184	2,597,051	337,517
Other liabilities:					
Vested compensated absences	807,408	-	97,476	709,932	248,045
Capital leases	209,368	36,985	69,080	177,273	72,351
Total other liabilities	1,016,776	36,985	166,556	887,205	320,396
Total long-term obligations	\$ 3,919,011	\$ 36,985	\$ 471,740	\$ 3,484,256	\$ 657,913

Long-term obligations activity for the year ended December 31, 2018, was as follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18	Amounts Due Within One Year
Notes from direct borrowings:					
General obligation debt	\$ 474,577	\$ -	\$ 62,796	\$ 411,781	\$ 64,436
General obligation debt	729,730	670,270	143,341	1,256,659	145,020
General obligation debt	1,159,853	140,147	66,205	1,233,795	96,829
Total notes from direct borrowings	2,364,160	810,417	272,342	2,902,235	306,285
Other liabilities:					
Vested compensated absences	730,334	77,074	-	807,408	257,401
Capital leases	202,132	57,498	50,262	209,368	64,251
Total other liabilities	932,466	134,572	50,262	1,016,776	321,652
Total long-term obligations	\$ 3,296,626	\$ 944,989	\$ 322,604	\$ 3,919,011	\$ 627,937

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 9: Long-Term Debt (Continued)

General Obligation Debt

The County issued general obligation debt and advanced portions of the proceeds to the Hospital for construction projects. As of December 31, 2019, remaining funds to be advanced are noted below: (see Note 17, Subsequent Events, for future discussion)

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019	Remaining Funds to be Advanced
Promissory note	9/15/2014	12/15/2024	2.49 %	\$ 650,000	\$ 347,344	\$ -
Promissory note	1/4/2017	1/4/2027	2.29 %	1,400,000	1,111,638	-
Promissory note	1/4/2017	1/4/2027	2.29 %	1,300,000	1,138,069	-
Promissory note	12/10/2019	12/10/2029	2.12 %	\$ 1,300,000	-	\$ 1,300,000

Scheduled principal and interest payments on long-term debt, excluding funds to be advanced and not yet drawn on, are as follows at December 31, 2019:

	General Obligation Debt	
	Principal	Interest
2020	\$ 337,517	\$ 56,631
2021	370,759	48,398
2022	386,253	39,591
2023	395,561	30,501
2024	405,060	21,201
2025 - 2028	701,901	17,194
Totals	\$ 2,597,051	\$ 213,516

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 10: Lease Disclosures

Lessee - Capital Leases

Following is a schedule of future minimum lease payments required under the capital leases as of December 31:

	Principal	Interest
2020	\$ 72,351	\$ 20,937
2021	63,205	11,794
2022	41,717	2,132
Totals	\$ 177,273	\$ 34,863

Lessee - Operating Leases

The Hospital has entered into a number of operating lease agreements for equipment with unrelated parties. Rental expense totaled \$419,500 and \$420,000 in 2019 and 2018, respectively.

Note 11: Net Position

The following calculation supports net position at December 31:

	2019	2018
Net investment in capital assets:		
Land	\$ 106,159	\$ 79,999
Construction in progress	296,295	248,011
Other capital assets - Net of accumulated depreciation	5,593,783	5,654,394
Less - Related capital leases payable	(177,273)	(209,368)
Less - Related long-term debt	(2,597,051)	(2,902,235)
Total net investment in capital assets	3,221,913	2,870,801
Restricted for pension benefits	-	1,074,000
Unrestricted	4,449,262	3,041,183
Total net position	\$ 7,671,175	\$ 6,985,984

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 12: Retirement Plans

Plan Description

The Wisconsin Retirement System (WRS) is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found online at <http://etf.wi.gov/publications/cafr.htm>.

Vesting

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 12: Retirement Plans (Continued)

Postretirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2009	(2.1)%	(42.0)%
2010	(1.3)%	22.0 %
2011	(1.2)%	11.0 %
2012	(7.0)%	(7.0)%
2013	(9.6)%	9.0 %
2014	4.7 %	25.0 %
2015	2.9 %	2.0 %
2016	0.5 %	(5.0)%
2017	2.0 %	4.0 %
2018	2.4 %	17.0 %

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, executives and elected officials. Starting on January 1, 2016, the executive and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting periods, the WRS recognized \$441,851 and \$403,676 in contributions from the employer.

Contribution rates as of December 31, 2019 and 2018, are as follows:

	2019		2018	
	Employee	Employer	Employee	Employer
General (including teachers, executives, and elected officials)	6.55 %	6.55 %	6.70 %	6.70 %
Protective with social security	6.55 %	10.55 %	6.70 %	10.70 %
Protective without social security	6.55 %	14.95 %	6.70 %	14.90 %

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 12: Retirement Plans (Continued)

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

At December 31, 2019 and 2018, the Hospital reported a liability (asset) of \$1,441,730 and \$(1,074,000) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation one year prior to and rolled forward to the measurement date. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Hospital's proportion of the net pension liability (asset) was based on the Hospital's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019 and 2018, the Hospital's proportion was 0.03971309% and 0.03628196%, which was an increase of 0.00343113% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2019 and 2018, the Hospital recognized pension expense of \$907,847 and \$567,253, respectively.

At December 31, 2019 and 2018, the Hospital reported 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 expected and actual experience	\$ 1,012,973	\$ (1,740,573)	\$ 1,337,386	\$ (433,509)
Changes in assumptions	157,493	-	139,807	-
Net difference between projected and actual earnings on pension plan investments	1,843,775	-	-	(1,827,553)
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,709	(5,859)	8,020	(1,367)
Employer contributions subsequent to the measurement date	456,191	-	441,851	-
Totals	\$ 3,475,141	\$ (1,746,432)	\$ 1,927,064	\$ (2,262,429)

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 12: Retirement Plans (Continued)

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

Deferred outflows of resources related to pension resulting from the Hospital's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	Net Deferred Outflows (Inflows) of Resources
2020	\$ 461,213
2021	116,878
2022	201,847
2023	492,580

Actuarial Assumptions

The total pension liability in the actuarial valuation used for the years ended December 31, 2019 and 2018, was determined using the following actuarial assumptions, applied to all periods included in the investment:

	2019	2018
Actuarial valuation date	December 31, 2017	December 31, 2016
Measurement date of net pension liability (asset)	December 31, 2018	December 31, 2017
Actuarial cost method	Entry age	Entry age
Asset valuation method	Fair market value	Fair market value
Long-term expected rate of return	7.0%	7.2%
Discount rate	7.0%	7.2%
Salary increases:		
Inflation	3.0%	3.2%
Seniority/merit	0.1% - 5.6%	0.2% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2012 Mortality Table
Postretirement adjustments*	1.9%	2.1%

**No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.*

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 12: Retirement Plans (Continued)

Actuarial Assumptions (Continued)

Actuarial assumptions are based on an experience study conducted in 2018 that covered a three-year period from January 1, 2015, to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, postretirement adjustment, wage inflation rate, mortality and separation rates. The total pension liability for December 31, 2018, is based on a rollforward of the liability calculated from the December 31, 2017, actuarial valuation.

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

Asset Allocation Targets and Expected Returns

Asset Class	December 31, 2018		
	Asset Allocation Percentage	Long-Term Expected Nominal Rate of Return Percentage	Long-Term Expected Real Rate of Return Percentage
Core fund:			
Global equities	49.0 %	8.1 %	5.5 %
Fixed income	24.5 %	4.0 %	1.5 %
Inflation sensitive assets	15.5 %	3.8 %	1.3 %
Real estate	9.0 %	6.5 %	3.9 %
Private equity/debt	8.0 %	9.4 %	6.7 %
Multi-asset	4.0 %	6.7 %	4.1 %
Total core fund	110.0 %	7.3 %	4.7 %
Variable fund:			
U.S. equities	70.0 %	7.6 %	5.0 %
International equities	30.0 %	8.5 %	5.9 %
Total variable fund	100.0 %	8.0 %	5.4 %

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

Asset allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 12: Retirement Plans (Continued)

Actuarial Assumptions (Continued)

Asset Allocation Targets and Expected Returns (Continued)

Asset Class	December 31, 2017		
	Asset Allocation Percentage	Long-Term Expected Nominal Rate of Return Percentage	Long-Term Expected Real Rate of Return Percentage
Core fund:			
Global equities	50.0 %	8.2 %	5.3 %
Fixed income	24.5 %	4.2 %	1.4 %
Inflation sensitive assets	15.5 %	3.8 %	1.0 %
Real estate	8.0 %	6.5 %	3.6 %
Private equity/debt	8.0 %	9.4 %	6.5 %
Multi-asset	4.0 %	6.5 %	3.6 %
Total core fund	110.0 %	7.3 %	4.4 %
Variable fund:			
U.S. equities	70.0 %	7.5 %	4.6 %
International equities	30.0 %	7.8 %	4.9 %
Total variable fund	100.0 %	7.9 %	5.0 %

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

Single Discount Rate: A single discount rate of 7.00% was used to measure the total pension liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long-term bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) 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.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 12: Retirement Plans (Continued)

Actuarial Assumptions (Continued)

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the Hospital's proportionate share of the net pension liability calculated using the current discount rate, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2019		2018	
	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)
1% decrease to discount rate	6.0 %	\$ 5,689,123	6.2 %	\$ 2,778,805
Current discount rate	7.0 %	1,441,730	7.2 %	(1,074,000)
1% increase to discount rate	8.0 %	(1,734,288)	8.2 %	(4,002,251)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

Note 13: Other Postemployment Benefits Plan

The County administers a single-employer defined benefit OPEB plan that provides medical and dental benefits to eligible retirees as established by County policy that the Hospital participated in. There are no assets accumulated in a trust that meet the criteria of GASB No. 75, paragraph 4, and there is not a standalone report for the plan. There are 113 active plan members, 3 inactive plan members currently receiving benefits, and no inactive plan members entitled to but not yet receiving benefits.

The County Board has the authority to establish and amend the types of benefits provided through the County OPEB plan. Currently, the Hospital allows retirees who have attained eligibility through WRS and their spouses to continue on the Hospital's health and dental plan by paying 100% of the premium.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 13: Other Postemployment Benefits Plan (Continued)

The Hospital's total OPEB liability of \$376,442 was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2019. The Hospital's total OPEB liability of \$384,944 was measured as of December 31, 2017, and was determined by an actuarial valuation as of December 31, 2018, and rolled back to December 31, 2017. There have been no changes of assumptions or other inputs and no changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date. There have been no changes that are expected to have a significant effect on the total OPEB liability since the measurement date. The total OPEB liability was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases:	
Inflation	3.0%
Merit	0.5% - 4.8%
Health and dental cost	

	Annual Pre Medicare Trend Rate	
	Medical	Dental
2019	8.30 %	5.00 %
2020	5.40	5.00
2021	5.00	5.00
2022	4.90	4.90
2023	4.90	4.90
2030	4.70	4.70
2040	5.60	5.00
2050	5.10	5.00
2060	4.90	4.90
2070	4.30	4.30
2080	4.30	4.30
Ultimate (2091)	3.90	3.90

Discount rate	4.10% (2019) and 3.44% (2018)
Mortality	Wisconsin 2018 Mortality Table
Actuarial assumptions	Based on an experience study using WRS experience from 2015-2017

The 4.10% and 3.44% discount rates used to measure the total OPEB liability was determined by the actuary at Bond Buyer 20-Bond Go index for a 20-year AA municipal bond as of December 31, 2018 and 2017.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 13: Other Postemployment Benefits Plan (Continued)

Changes in the total OPEB liability for the year ended December 31, 2019, are as follows:

	2019	2018
Balance at beginning of year	\$ 384,944	\$ 372,131
Changes for the year:		
Service cost	28,315	26,059
Interest	13,495	14,393
Effect of assumptions changes or inputs	(15,458)	7,552
Benefit payments	(34,854)	(35,191)
Net changes	(8,502)	12,813
Balance at end of year	\$ 376,442	\$ 384,944

The following presents the total OPEB liability of the Hospital, as well as what the Hospital's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2019		2018	
	Discount Rate	Total OPEB Liability	Discount Rate	Total OPEB Liability
1% decrease to discount rate	3.10 %	\$ 396,432	2.44 %	\$ 408,096
Current discount rate	4.10 %	376,442	3.44 %	384,944
1% increase to discount rate	5.10 %	350,986	4.44 %	363,218

The following represents the Hospital's total OPEB liability calculated using the healthcare cost trend rate of 8.3% decreasing to 3.9%, as well as what the Hospital's total OPEB liability would be if it were calculated using the healthcare cost trend rate that is 1 percentage point lower (7.3% decreasing to 2.9%) or 1 percentage point higher (9.3% decreasing to 4.9%) than the current rate:

	2019	2018
1% decrease - (7.3% decreasing to 2.9%)	\$ 341,561	\$ 356,205
Healthcare cost trend rates - (8.3% decreasing to 3.9%)	376,442	384,944
1% increase - (9.3% decreasing to 4.9%)	410,088	418,963

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 13: Other Postemployment Benefits Plan (Continued)

For the year ended December 31, 2019 and 2018, the Hospital recognized OPEB expense of \$54,304 and \$54,641. At December 31, 2019 and 2018, the Hospital reported deferred outflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 6,059	\$ (13,643)	\$ 6,637	\$ -
Benefit payments subsequent to the measurement date	34,854	-	35,191	-
Totals	\$ 40,913	\$ (13,643)	\$ 41,828	\$ -

The amounts reported as deferred outflows of resources related to OPEB resulting from the Hospital's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2020	\$ (957)
2021	(957)
2022	(957)
2023	(957)
2024	(957)
Thereafter	(2,799)

Note 14: Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and healthcare of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to prior year.

The Hospital has professional liability insurance coverage to provide protection for professional liability losses on an occurrence basis subject to a limit of \$1,000,000 per claim and an annual aggregate limit of \$3,000,000. Should the occurrence policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured. The insurance policy is renewable annually and has been renewed by the insurance carrier for the annual period extending to July 1, 2021.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 15: Concentration of Credit Risk

Financial instruments that potentially subject the Hospital to possible credit risk consist principally of patient receivables.

Patient receivables consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medicaid) for healthcare provided to the patients. The majority of the Hospital's patients are from Darlington, Wisconsin, and the surrounding area. The mix of receivables from patients and third-party payors was as follows at December 31:

	2019	2018
Medicare and Medicare Advantage plans	42 %	41 %
Medicaid and Medicaid HMO plans	9	11
Other third-party payors	36	41
Private pay	13	7
Total	100 %	100 %

Note 16: Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and billing regulations. Government activity with respect to investigations and allegations concerning possible violations of such regulations by healthcare providers has increased. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayment for patient services previously billed. While no significant regulatory inquiries have been made of the Hospital, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

CMS uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that might have been made to healthcare providers and were not detected through existing CMS program-integrity efforts. Once a RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The provider has the ability to appeal these adjustments. As of December 31, 2019, the Hospital has not been notified by a RAC of any potential reimbursement adjustments.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 17: Subsequent Events

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designed to help small businesses cover their near-term operating expenses and to provide a strong incentive to retain their employees during the COVID-19 crisis. The Hospital applied for and was approved for a loan of approximately \$1.9 million that may be partially or fully forgiven based on the level of employee retention and if utilized for the following stated purposes: 60% for payroll costs over a specified time period, interest on mortgage obligations, rent, or utilities. The portion of the loan that is not forgiven, if any, has a maturity of two years at an interest rate of 1%.

In April 2020, the Hospital began receiving CARES funding from the Public Health and Social Services Emergency Fund (the "Relief Fund") to reimburse healthcare providers for healthcare-related expenses or lost revenues that are attributable to COVID-19. If the Hospital is unable to support that the additional expenses were incurred or revenue lost, this funding may have to be paid back to the Department of Health and Human Services. If the Hospital is able to support the additional expenses or lost revenue, the Hospital will be able to retain this funding. As of the audit report date, total funds received approximate \$4.4 million.

In May 2020, the Argyle Clinic remodeling project was completed. The cost of the project was to be financed through a \$1.3 million promissory note that was entered into on December 10, 2019 as discussed in Note 9. Subsequent to year-end, the Hospital determined they had the available funds to finance the project from operations and, as a result, did not incur the additional indebtedness as previously intended.

Required Supplemental Information

Memorial Hospital of Lafayette County
Schedules of the Employer's Proportionate Share of the Net Pension
Liability (Asset) and Employer Contributions - Wisconsin Retirement System
Last 10 Years*

Schedule of the Employer's Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System (WRS)
Last 10 Years*

	2019	2018	2017	2016	2015
Measurement date	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
Hospital's proportion of the net pension liability (asset)	0.00039713 %	0.03628196%	0.02709655%	0.02702986%	0.02517635%
Hospital's proportionate share of the net pension liability (asset)	\$ 1,441,730	\$ (1,074,000)	\$ 223,159	\$ 439,230	\$ (618,400)
Hospital's covered payroll	\$ 6,524,481	\$ 5,981,380	\$ 3,865,252	\$ 3,803,035	\$ 3,789,253
Hospital's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	22.10 %	(17.96)%	5.77 %	11.55 %	(16.32)%
Plan fiduciary net position as a percentage of the total pension liability	96.45 %	102.93 %	99.12 %	98.20 %	102.74 %

Schedule of the Employer Contributions
Wisconsin Retirement System (WRS)
Last 10 Years*

	2019	2018	2017	2016	2015
Contractually required contributions	\$ 456,191	\$ 441,851	\$ 403,676	\$ 255,107	\$ 257,545
Contributions in relation to the contractually required contribution	\$ (456,191)	(441,851)	(403,676)	(255,107)	(257,545)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered payroll for the fiscal period	\$ 7,045,333	\$ 6,524,481	\$ 5,981,380	\$ 3,865,252	\$ 3,803,035
Contributions as a percentage of covered payroll	6.48 %	6.77 %	6.75 %	6.60 %	6.77 %

Notes to the Schedules:

Changes of benefit terms: There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions: There were no changes in the assumptions.

*These schedules are intended to present information for the last 10 years. Additional information will be presented as it becomes available.

See Independent Auditor's Report.

Memorial Hospital of Lafayette County
Schedule of Changes in the Employer's Total OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	2019	2018
Measurement date	12/31/2018	12/31/2017
Total OPEB liability:		
Service cost	\$ 28,315	\$ 26,059
Interest on the total OPEB liability	13,495	14,393
Changes of assumptions or inputs	(15,458)	7,552
Benefit payments	(34,854)	(35,191)
Net change in total OPEB liability	(8,502)	12,813
Total OPEB liability - Beginning	384,944	372,131
Total OPEB liability - Ending	\$ 376,442	\$ 384,944
Covered-employee payroll	\$ 6,669,514	\$ 5,972,528
Total OPEB liability as a percentage of covered-employee payroll	5.64 %	6.45 %

Notes to Schedule

Funding: There are no assets accumulated in a trust that meet the criteria of GASB No. 75, paragraph 4, to pay related benefits.

Changes of benefit terms: There were no changes in benefit terms.

Changes of assumptions: There were no changes in assumptions.

*This schedule is intended to present information for the last 10 years. Additional information will be presented as it becomes available.

See Independent Auditor's Report.

Supplementary Information

Memorial Hospital of Lafayette County

Schedules of Net Patient Service Revenue

<i>Years Ended December 31,</i>	2019	2018
Operating revenue:		
Inpatient services:		
Routine nursing care	\$ 1,016,198	\$ 1,232,973
Nursing - Swingbed	667,624	500,015
Medical and surgical supplies	454,659	204,016
Operating and recovery room	4,223,111	3,700,951
Emergency room	47,712	14,521
Anesthesia	405,880	390,880
Laboratory	210,945	207,992
Radiology	209,374	277,574
Pharmacy	540,477	494,227
Rehabilitation services	373,030	332,602
Cardiopulmonary care	321,476	212,964
<hr/>		
Total inpatient services	8,470,486	7,568,715
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Outpatient services:		
Operating and recovery room	6,524,876	4,567,728
Emergency room and observation	3,540,668	3,939,509
Emergency room physician	1,396,905	1,639,213
Anesthesia	932,732	732,984
Laboratory	3,767,247	2,991,899
Radiology	6,903,255	6,344,498
Pharmacy	1,811,058	1,150,429
Rehabilitation services	1,563,531	1,585,131
Cardiopulmonary care	845,611	745,832
Medical and surgical supplies	921,472	851,580
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Total outpatient services	28,207,355	24,548,803
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Clinic services:		
Darlington clinic	2,230,358	2,321,882
Shullsburg clinic	526,195	575,027
Argyle clinic	484,128	505,907
Specialty clinic	4,320,175	3,247,821
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Total clinic services	7,560,856	6,650,637
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Total patient service revenue carried forward	44,238,697	38,768,155

Memorial Hospital of Lafayette County

Schedules of Net Patient Service Revenue (Continued)

<i>Years Ended December 31,</i>	2019	2018
Total patient service revenue brought forward	\$ 44,238,697	\$ 38,768,155
Deductions from revenue:		
Medicare discounts and adjustments	(11,825,345)	(9,506,620)
Medicaid discounts and adjustments	(2,180,772)	(2,190,780)
Other discounts and adjustments	(8,190,667)	(6,656,986)
Total deductions from revenue	(22,196,784)	(18,354,386)
Net patient service revenue	22,041,913	20,413,769
Provision for bad debts	195,502	571,741
Net patient service revenue, net of provision for bad debts	\$ 21,846,411	\$ 19,842,028

See Independent Auditor's Report.

Memorial Hospital of Lafayette County

Schedules of Operating Expenses

<i>Years Ended December 31,</i>	2019	2018
Operating expenses:		
Medical and surgical	\$ 1,790,762	\$ 1,808,095
Operating/recovery room	1,695,765	1,387,806
Emergency room	2,169,094	2,134,399
Anesthesiology	619,961	553,078
Laboratory	956,987	953,127
Radiology	1,396,364	1,379,690
Pharmacy	619,588	512,634
Physical therapy	932,083	941,307
Cardiopulmonary care	372,938	410,068
Dietary	330,953	325,377
Housekeeping/laundry	288,328	307,314
Plant operation	201,767	181,687
Maintenance	342,021	285,103
Material management	85,680	120,431
Administration	1,397,191	1,395,044
Business office	600,062	601,004
Medical records	419,109	432,095
Nursing administration	307,723	342,724
Telephone/television	35,673	21,428
Community outreach	154,923	126,240
IT department	185,050	180,895
Electronic health records	121,881	148,161
Clinic - Darlington	2,498,339	2,131,153
Clinic - Shullsburg	340,936	346,936
Clinic - Argyle	371,071	418,668
Specialty clinic services	1,674,457	1,568,082
Pension expense - GASB 68	451,656	127,113
Total operating expenses	\$ 20,360,362	\$ 19,139,659

See Independent Auditor's Report.

Compliance



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Trustees
Memorial Hospital of Lafayette County
Darlington, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Memorial Hospital of Lafayette County, which comprise the statement of net position as of December 31, 2019, and the related statements of revenue, expenses, and changes in net position and cash flows as of December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated July 22, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses, which are described in the accompanying schedule of findings as items 2019-001, 2019-002, and 2019-003.

Compliance and Other Matters

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

Responses to Findings

Memorial Hospital of Lafayette County's responses to the findings identified in our audit are described in the accompanying schedule of findings. Memorial Hospital of Lafayette County's responses were not subjected to the audit procedures applied in the audit of the financial statements and accordingly we express no opinion on them.

Purpose of This Report

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

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

Wipfli LLP

July 22, 2020

Eau Claire, Wisconsin

Memorial Hospital of Lafayette County

Schedule of Findings

Year Ended December 31, 2019

Finding 2019-001–Financial Accounting and Reporting

Condition – The Hospital’s internal control over financial reporting does not end at the general ledger, but extends to the financial statements and notes. As part of our professional services for the year ended December 31, 2019, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Because the Hospital relies on Wipfli LLP to provide the necessary understanding of current accounting and disclosure principles in the preparation of the financial statements and notes, a material weakness exists in the Hospital’s internal controls.

Criteria – *Government Auditing Standards* consider the inability to report financial data reliably in accordance with GAAP to be an internal control deficiency.

Effect – As a result of not having an individual trained in the preparation of GAAP basis financial statements, the Hospital is not able to report financial data reliably in accordance with GAAP.

Recommendation – We recommend management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management’s Response – The Hospital does not have the resources and staff to prepare the financial statements and notes, but will continue to oversee the auditor’s services and review and approve the financial statements and notes.

Finding 2019-002–Audit Adjustments

Condition – During our audit, Wipfli LLP proposed adjusting journal entries that were individually material in relation to the audited financial statements. The adjusting entries were based on financial calculations and audit procedures performed by Wipfli LLP that were not performed during the Hospital’s normal financial close process. Since the Hospital’s internal controls did not discover these adjustments prior to our audit, a material weakness exists in the Hospital’s controls over financial reporting.

Criteria – Material adjusting journal entries not prepared by the Hospital are considered an internal control weakness.

Effect – Proper recording and reporting of financial information may not occur in a timely manner.

Recommendation – We recommend all accounts be reconciled and that adjustments be posted to the accounting records on a monthly basis.

Management’s Response – The Hospital will work to establish policies and procedures related to the adjusting journal entries proposed by the auditors.

Memorial Hospital of Lafayette County

Schedule of Findings (Continued)

Year Ended December 31, 2019

Finding 2019-003–Segregation of Duties

Condition – The size of the Hospital’s office staff precludes a proper segregation of functions to ensure adequate internal control. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. This is not unusual in entities this size, but the Board of Trustees should continue to be aware of this condition and to realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable for an effective system of internal control. Under those conditions, the most effective controls lie in the Board of Trustees’ knowledge of matters relating to the Hospital’s operations; however, a material weakness exists in the Hospital’s internal controls.

Criteria – The lack of proper segregation of duties is considered an internal control weakness.

Effect – Without adequate segregation of duties, the likelihood that unauthorized or false transactions will be prevented or detected in a timely fashion is significantly diminished, which may result in misstated financial statements.

Recommendation – We recommend management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management’s Response – The Hospital does not have the resources available to increase staff size and address this internal control deficiency. The Board of Trustees and management are aware of the incompatible duties and will continue to provide oversight and monitor the Hospital’s operations.