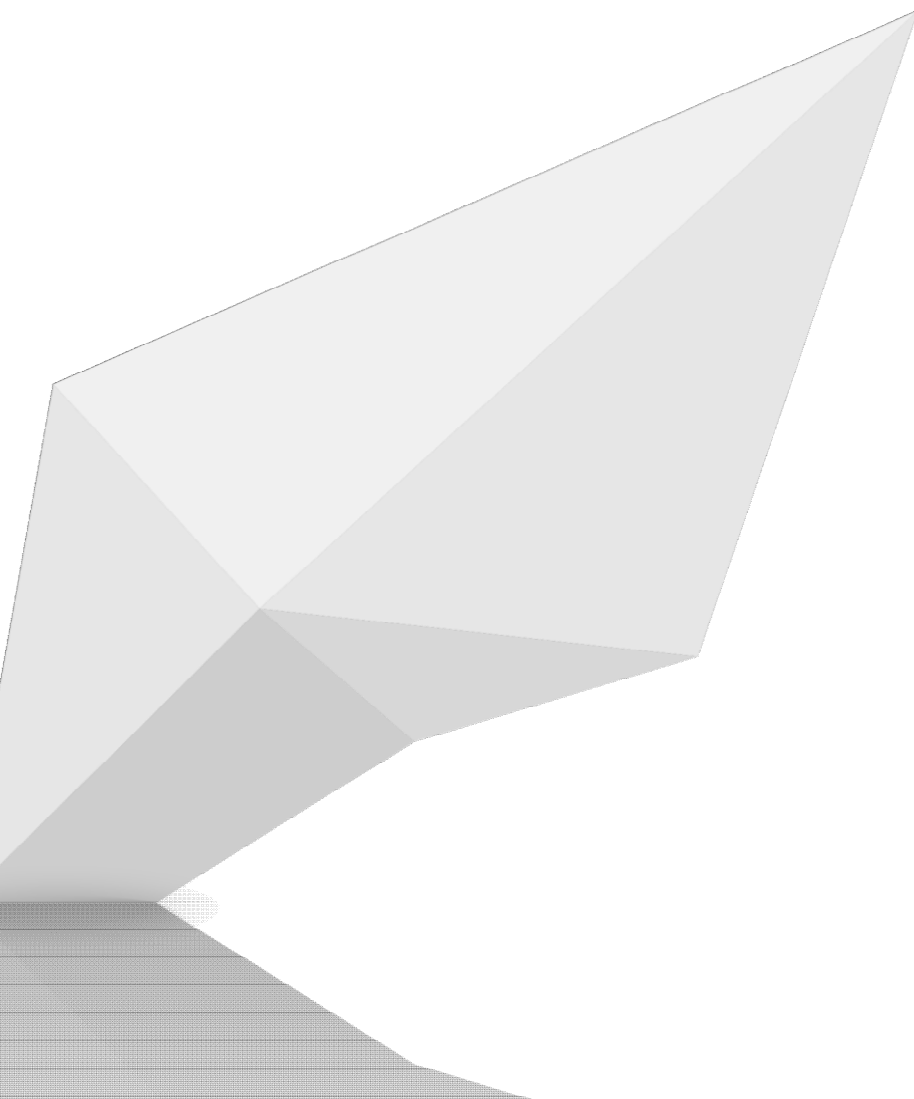


Memorial Hospital of Lafayette County

An Enterprise Fund of Lafayette County

Financial Statements, Required Supplementary
Information, and Supplementary Information

Years Ended December 31, 2020 and 2019



WIPFLI

Memorial Hospital of Lafayette County

Years Ended December 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

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, 2020 and 2019, 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 schedule of the employer's proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System (WRS), schedule of the employer's proportionate share of the net OPEB liability and employer contributions - local retiree life insurance fund (LRLIF), and schedule of changes in the employer's total OPEB medical and dental plan liability and related ratios on pages 44 through 46 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 48 through 50 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 August 17, 2021, 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.



Wipfli LLP

August 17, 2021
Eau Claire, Wisconsin

Memorial Hospital of Lafayette County

Statements of Net Position

<i>December 31,</i>	2020	2019
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 4,494,608	\$ 1,896,821
Patient receivables - Net	2,862,388	2,908,098
Other receivables	77,425	114,284
Inventories	358,899	398,374
Prepaid expenses	367,040	280,016
Amounts receivable from third-party reimbursement programs	2,385,000	308,218
Total current assets	10,545,360	5,905,811
Noncurrent assets:		
Other assets:		
Investment in unconsolidated affiliate	68,966	30,793
Restricted - Net pension assets	1,388,698	-
Total other assets	1,457,664	30,793
Capital assets:		
Land	106,159	106,159
Construction in progress	221,911	296,295
Depreciable capital assets - Net of accumulated depreciation	6,155,679	5,593,783
Capital assets - Net	6,483,749	5,996,237
Total noncurrent assets	7,941,413	6,027,030
Total assets	18,486,773	11,932,841
Deferred outflows of resources:		
Related to pensions	3,092,374	3,475,141
Other post employment benefits (OPEB):		
Related to Local Retiree Life Insurance Fund (LRLIF)	346,096	-
Related to medical and dental plan	112,746	40,913
Total deferred outflows of resources	3,551,216	3,516,054
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 22,037,989	\$ 15,448,895

Memorial Hospital of Lafayette County

Statements of Net Position (Continued)

<i>December 31,</i>	2020	2019
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Current portion of capital leases payable	\$ 80,968	\$ 72,351
Current portion of long-term debt	1,797,852	337,517
Accounts payable	530,432	358,791
Accrued payroll and payroll taxes	122,019	352,175
Accrued interest	4,251	4,251
Unearned revenue	2,450,000	-
Current portion of compensated absences	294,641	248,045
Total current liabilities	5,280,163	1,373,130
Noncurrent liabilities:		
Capital leases payable	115,638	104,922
Long-term debt	2,413,982	2,259,534
Compensated absences	713,535	461,887
Pension liability - Net	-	1,441,730
OPEB liability LRLIF - Net	349,366	-
OPEB liability medical and dental plan - Net	405,436	376,442
Total noncurrent liabilities	3,997,957	4,644,515
Total liabilities	9,278,120	6,017,645
Deferred inflows of resources:		
Related to pensions	4,178,504	1,746,432
Related to OPEB LRLIF	54,079	-
Related to OPEB medical and dental plan	62,243	13,643
Total deferred inflows of resources	4,294,826	1,760,075
Net position:		
Net investment in capital assets	4,027,509	3,221,913
Restricted for pension benefits	1,388,698	-
Unrestricted	3,048,836	4,449,262
Total net position	8,465,043	7,671,175
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 22,037,989	\$ 15,448,895

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>	2020	2019
Operating revenue:		
Net patient service revenue	\$ 21,655,307	\$ 21,846,411
Other revenue	19,638	12,394
Total operating revenue	21,674,945	21,858,805
Operating expenses:		
Operating expenses	22,078,965	20,360,362
Depreciation	1,107,019	819,619
Total operating expenses	23,185,984	21,179,981
Income (loss) from operations	(1,511,039)	678,824
Nonoperating revenue (expenses):		
Investment income	1,519	1,883
Interest expense	(78,175)	(93,422)
Contribution income	14,898	31,000
Equity in unconsolidated affiliate	51,443	30,793
Grant revenue	2,188,086	-
Gain on disposal of capital assets	61,058	-
Miscellaneous income	66,078	86,113
Total nonoperating revenue - Net	2,304,907	56,367
Income before transfers	793,868	735,191
Funds transferred to Lafayette County	-	(50,000)
Change in net position	793,868	685,191
Net position at beginning of year	7,671,175	6,985,984
Net position at end of year	\$ 8,465,043	\$ 7,671,175

See accompanying notes to financial statements.

Memorial Hospital of Lafayette County

Statements of Cash Flows

<i>Years Ended December 31,</i>	2020	2019
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Cash received from and on behalf of patients	\$ 19,325,626	\$ 22,389,298
Cash payments for employee compensation and fringe benefits	(10,590,635)	(9,731,184)
Cash paid to suppliers and contractors for goods and services	(10,913,161)	(10,145,046)
Other receipts from operations other than patient services	19,638	12,394
Net cash provided by (used in) operating activities	(2,158,532)	2,525,462
Cash flows from investing activities - Investment income	1,519	1,883
Cash flows from noncapital financing activities:		
Grants and contributions	4,652,984	31,000
Proceeds from Paycheck Protection Program loan	1,952,200	-
Funds transferred to Lafayette County	-	(50,000)
Distributions from unconsolidated affiliate	13,270	-
Miscellaneous income	66,078	86,113
Net cash provided by noncapital financing activities	6,684,532	67,113
Cash flows from capital and related financing activities:		
Payments on capital lease obligations	(73,160)	(69,080)
Payments on long-term debt	(337,417)	(305,184)
Interest paid	(78,175)	(93,422)
Purchase of capital assets	(1,502,038)	(864,956)
Proceeds from sale of capital assets	61,058	-
Net cash used in capital and related financing activities	(1,929,732)	(1,332,642)
Increase in cash and cash equivalents	2,597,787	1,261,816
Cash and cash equivalents at beginning	1,896,821	635,005
Cash and cash equivalents at end	\$ 4,494,608	\$ 1,896,821

Memorial Hospital of Lafayette County

Statements of Cash Flows (Continued)

Years Ended December 31,	2020	2019
Reconciliation of income (loss) from operations to net cash provided by (used in) operating activities:		
Income (loss) from operations	\$ (1,511,039)	\$ 678,824
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:		
Depreciation	1,107,019	819,619
Provision for bad debts	335,468	195,502
Changes in assets and liabilities:		
Patient receivables - Net	(289,758)	638,058
Other receivables	36,859	33,047
Inventories	39,475	(52,061)
Prepaid expenses	(87,024)	7,680
Amounts receivable from third-party reimbursement programs	(2,076,782)	(128,218)
Change in restricted - Net pension assets	(1,388,698)	1,074,000
Deferred outflows of resources:		
Related to pensions	382,767	(1,548,077)
Related to OPEB LRLIF	(346,096)	-
Related to OPEB medical and dental plan	(71,833)	915
Accounts payable	171,641	(40,459)
Accrued payroll and payroll taxes	(230,156)	13,234
Compensated absences	298,244	(97,476)
Pension liability - Net	(1,441,730)	1,441,730
OPEB liability LRLIF - Net	349,366	-
OPEB liability medical and dental plan - Net	28,994	(8,502)
Deferred inflows of resources:		
Related to pensions	2,432,072	(515,997)
Related to OPEB LRLIF	54,079	-
Related to OPEB medical and dental plan	48,600	13,643
Total adjustments	(647,493)	1,846,638
Net cash provided by (used in) operating activities	\$ (2,158,532)	\$ 2,525,462
Noncash capital and related financing activities:		
Equipment financed through capital leases	\$ 92,493	\$ 36,985

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 and three rural health clinics 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 accounting principles generally accepted in the United States (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 for uninsured patients and amounts for which patients are personally responsible, through a charge to operations and a credit to a valuation allowance based on its assessment of historical collection experience 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 amounts 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 net realizable value.

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 3 to 25 years for movable and building equipment and 5 to 40 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 might 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 on 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, 2020 and 2019.

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, 2020 and 2019.

Unearned Revenue

Unearned revenue consists primarily of unexpended grant funds received as a result of the global pandemic that have not been identified as spent for their intended purpose. The unearned revenue will be recognized as income when earned.

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 biweekly 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, 2020 and 2019, 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 resources related to the Other Post Employment Benefits (OPEB) plans, and the Hospital contributions to pension and OPEB plans subsequent to the measurement date of the collective net pension liability (asset) and total OPEB liabilities.

In addition to liabilities, the statements 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 plans.

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's 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 relates 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.

Subsequent Events

Subsequent events have been evaluated through August 17, 2021, which is the date the financial statements were available to be issued.

See Note 19 for subsequent event disclosures.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 2: COVID-19

Starting in March 2020, the nation in general, and healthcare-related entities specifically, have been faced with a global pandemic. As healthcare entities prepared for the crisis, operational changes were made to delay routine visits and elective procedures and reevaluate the entire care delivery model to care for patient needs, specifically those affected by COVID-19. The complete financial impact on the economy in general and healthcare-related entities specifically is undeterminable at this time; however, it was noted and is anticipated by the Hospital that both operational performance and cash flows for healthcare-related entities have been and will be impacted in fiscal year 2020 as well as future periods until the pandemic ends.

The federal and state governments, as well as other agencies, have been assisting many healthcare organizations to prevent significant financial constraints by providing supplemental payment programs in the forms of distributions that are intended to help offset lost revenues as well as the cost of staffing, supplies, and equipment from treating patients impacted by or preparing for the pandemic's healthcare needs.

Through December 31, 2020, the Hospital received approximately \$4,640,000 in funding from these programs and has deferred recognition of \$2,450,000 of funds received based on the current terms and conditions of the programs as of the date of these financial statements. Funding was received from multiple sources, including but not limited to approximately \$4,441,000 of provider relief funds from the HHS Coronavirus Aid, Relief, and Economic Security (CARES) Act, and the unexpended provider relief funds are included in current liabilities as unearned revenue in the accompanying statements of net position at December 31, 2020.

These funds are subject to various financial and compliance guidelines for intended uses as published by the federal and state governments. Management is continuing to monitor compliance with the terms and conditions of the Provider Relief Fund as new guidance and clarification is released from HHS and other agencies. If the Hospital is unable to attest to or comply with current or future terms and conditions as more information becomes available, the Hospital's ability to retain some or all of the distributions received may be impacted.

In addition, the Hospital received \$1,952,200 of funding from the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) in the form of a loan as part of the CARES Act. See Note 10 and Note 19 for additional information on the PPP loan.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 3: 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 on 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 on 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.

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, 2018.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 4: 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.

Note 5: Patient Receivables

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

	2020	2019
Patient receivables	\$ 5,358,053	\$ 5,616,001
Less:		
Contractual adjustments	2,064,792	2,321,000
Allowance for uncollectible accounts	430,873	386,903
Patient receivables - Net	\$ 2,862,388	\$ 2,908,098

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 6: Net Patient Service Revenue

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

	2020	2019
Gross patient service revenue:		
Inpatient services	\$ 6,527,558	\$ 8,470,486
Outpatient services	23,455,808	28,207,355
Clinic and other services	6,692,040	7,560,856
Total gross patient service revenue	36,675,406	44,238,697
Less:		
Contractual adjustments	14,684,631	22,196,784
Provision for bad debts	335,468	195,502
Net patient service revenue	\$ 21,655,307	\$ 21,846,411

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:

	2020	2019
Medicare and Medicare Advantage plans	52 %	54 %
Medicaid and Medicaid Health Maintenance Organization (HMO) plans	7	8
Other third-party payors	39	36
Private pay	2	2
Totals	100 %	100 %

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 7: 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 \$32,000 in 2020 and \$42,000 in 2019. The cost was calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing the charity care.

Note 8: 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 statements of revenue, expenses, and changes in net position.

CMDI	Investments	Equity in Operating Results	Distributions
2020	\$ 68,966	\$ 51,443	\$ 13,270
2019	30,793	30,793	-

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 9: Capital Assets

A summary of changes in capital assets for 2020 follows:

	Balance 1/1/20	Increases	Decreases	Balance 12/31/20
Nondepreciable capital assets:				
Land	\$ 106,159	\$ -	\$ -	\$ 106,159
Construction in progress	296,295	903,634	978,018	221,911
Total nondepreciable capital assets	402,454	903,634	978,018	328,070
Depreciable capital assets:				
Land improvements	156,891	82,783	-	239,674
Buildings	9,333,948	776,443	73,300	10,037,091
Buildings equipment	560,474	250,070	-	810,544
Movable equipment	5,364,331	536,889	27,947	5,873,273
Intangible assets - Computer software	978,618	22,730	-	1,001,348
Total depreciable capital assets	16,394,262	1,668,915	101,247	17,961,930
Less accumulated depreciation for:				
Land improvements	89,493	10,479	-	99,972
Buildings	5,900,964	525,433	73,300	6,353,097
Buildings equipment	437,006	31,751	-	468,757
Movable equipment	4,081,615	396,528	27,947	4,450,196
Intangible assets - Computer software	291,401	142,828	-	434,229
Total accumulated depreciation	10,800,479	1,107,019	101,247	11,806,251
Net depreciable capital assets	5,593,783	561,896	-	6,155,679
Total capital assets - Net	\$ 5,996,237	\$ 1,465,530	\$ 978,018	\$ 6,483,749

The cost of equipment under capital lease obligations, which is included in movable equipment, was \$453,979, and the related accumulated amortization was \$310,843 at December 31, 2020.

Included in construction in progress are costs related to planning and design for a replacement hospital. The replacement hospital is in the planning phase. No formal commitments have been made as of the audit report date.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 9: Capital Assets (Continued)

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.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 10: Long-Term Debt

Long-term obligations activity for the year ended December 31, 2020, follows:

	Balance 1/1/20	Increases	Decreases	Balance 12/31/20	Amounts Due Within One Year
Notes from direct borrowings:					
General obligation promissory note	\$ 347,344	\$ -	\$ 66,056	\$ 281,288	\$ 67,723
General obligation promissory note	1,111,638	-	148,311	963,327	151,809
General obligation promissory note	1,138,069	-	123,050	1,015,019	151,227
PPP loan	-	1,952,200	-	1,952,200	1,427,093
Total notes from direct borrowings	2,597,051	1,952,200	337,417	4,211,834	1,797,852
Other liabilities:					
Vested compensated absences	709,932	298,244	-	1,008,176	294,641
Capital leases	177,273	92,493	73,160	196,606	80,968
Total other liabilities	887,205	390,737	73,160	1,204,782	375,609
Total long-term obligations	\$ 3,484,256	\$ 2,342,937	\$ 410,577	\$ 5,416,616	\$ 2,173,461

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 10: Long-Term Debt (Continued)

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

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19	Amounts Due Within One Year
Notes from direct borrowings:					
General obligation promissory note	\$ 411,781	\$ -	\$ 64,437	\$ 347,344	\$ 66,027
General obligation promissory note	1,256,659	-	145,021	1,111,638	148,376
General obligation promissory note	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

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 10: Long-Term Debt (Continued)

The County issued long-term debt and advanced portions of the proceeds to the Hospital for construction projects as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2020	Remaining Funds to Be Advanced
General obligation promissory note	9/15/2014	12/15/2024	2.49 %	\$ 650,000	\$ 281,288	-
General obligation promissory note	1/4/2017	1/4/2027	2.29 %	1,400,000	963,327	-
General obligation promissory note	1/4/2017	1/4/2027	2.29 %	1,300,000	1,015,019	-
PPP loan	5/1/2020	5/1/2022	1.00 %	1,952,200	1,952,200	-

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, 2020:

	Principal	Interest
2021	\$ 1,797,852	\$ 48,387
2022	911,359	59,103
2023	395,561	30,490
2024	405,219	21,253
2025	339,781	12,516
2025 - 2028	362,062	4,685
Totals	\$ 4,211,834	\$ 176,434

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 11: Lease Disclosures

Lessee - Capital Leases

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

	Principal	Interest
2021	\$ 80,968	\$ 13,626
2022	60,831	3,553
2023	18,595	1,000
2023	19,025	570
2024	17,187	139
Totals	\$ 196,606	\$ 18,888

Lessee - Operating Leases

The Hospital has entered into a number of operating lease agreements for equipment with unrelated parties. Rental expense totaled \$387,100 in 2020 and \$419,500 in 2019.

Note 12: Net Position

The following calculation supports net position at December 31:

	2020	2019
Net investment in capital assets:		
Land	\$ 106,159	\$ 106,159
Construction in progress	221,911	296,295
Other capital assets - Net of accumulated depreciation	6,155,679	5,593,783
Less - Related capital leases payable	(196,606)	(177,273)
Less - Related long-term debt	(2,259,634)	(2,597,051)
Total net investment in capital assets	4,027,509	3,221,913
Restricted for pension benefits	1,388,698	-
Unrestricted	3,048,836	4,449,262
Total net position	\$ 8,465,043	\$ 7,671,175

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 13: Employee Retirement Plans - Wisconsin Retirement System

Plan Description

The 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 be modified only 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 issued a standalone WRS Financial Report, which can be found at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

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 occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to receive a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings are 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 13: Employee Retirement Plans - Wisconsin Retirement System (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
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 %
2019	- %	(10.0)%

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 for 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 \$552,542 and \$456,191 in contributions from the employer.

Contribution rates as of December 31, 2020 and 2019, are as follows:

	2020		2019	
	Employee	Employer	Employee	Employer
General (including teachers, executives, and elected officials)	6.75 %	6.75 %	6.55 %	6.55 %
Protective with Social Security	6.75 %	11.65 %	6.55 %	10.55 %
Protective without Social Security	6.75 %	16.25 %	6.55 %	14.95 %

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 13: Employee Retirement Plans - Wisconsin Retirement System (Continued)

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

At December 31, 2020 and 2019, the Hospital reported a liability (asset) of \$(1,388,698) and \$1,441,730 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2018, 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, 2020 and 2019, the Hospital's proportion was 0.04306767% and 0.03971309%, respectively.

For the years ended December 31, 2020 and 2019, the Hospital recognized pension expense of \$536,953 and \$907,847, respectively.

At December 31, 2020 and 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,517,071	\$ (1,058,834)	\$ 1,012,973	\$ (1,740,573)
Net difference between projected and actual earnings on pension plan investments	-	(3,117,792)	1,843,775	-
Changes in assumptions	20,721	-	157,493	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,040	(1,878)	4,709	(5,859)
Employer contributions subsequent to the measurement date	552,542	-	456,191	-
Totals	\$ 3,092,374	\$ (4,178,504)	\$ 3,475,141	\$ (1,746,432)

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 13: Employee Retirement Plans - Wisconsin Retirement System (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 pensions 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 pensions will be recognized in pension expense as follows:

Year Ending December 31	Net Deferred Outflows (Inflows) of Resources
2021	\$ (485,258)
2022	(362,794)
2023	56,051
2024	(846,671)

Actuarial Assumptions

The total pension liability in the December 31, 2020 and 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Actuarial valuation date	December 31, 2018	December 31, 2017
Measurement date of net pension liability (asset)	December 31, 2019	December 31, 2018
Actuarial cost method	Entry age normal	Entry age
Asset valuation method	Fair value	Fair market value
Long-term expected rate of return	7.0%	7.0%
Discount rate	7.0%	7.0%
Salary increases:		
Inflation	3.0%	3.0%
Seniority/merit	0.1% - 5.6%	0.1% - 5.6%
	Wisconsin 2018 Mortality	Wisconsin 2018 Mortality
Mortality	Table	Table
Postretirement adjustments*	1.9%	1.9%

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

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 13: Employee Retirement Plans - Wisconsin Retirement System (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, through December 31, 2017. The total pension liability for December 31, 2019, is based on a rollforward of the liability calculated from the December 31, 2018, actuarial valuation.

Long-Term Expected 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, 2019		
	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 %	8.0 %	5.1 %
Fixed income	24.5 %	4.9 %	2.1 %
Inflation sensitive assets	15.5 %	4.0 %	1.2 %
Real estate	9.0 %	6.3 %	3.5 %
Private equity/debt	8.0 %	10.6 %	7.6 %
Multi-asset	4.0 %	6.9 %	4.0 %
Total core fund	110.0 %	7.5 %	4.6 %
Variable fund:			
U.S. equities	70.0 %	7.5 %	4.6 %
International equities	30.0 %	8.2 %	5.3 %
Total variable fund	100.0 %	7.8 %	4.9 %

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.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 13: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Actuarial Assumptions (Continued)

Asset Allocation Targets and Expected Returns (Continued)

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: 2.75%

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 13: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Actuarial Assumptions (Continued)

Single Discount Rate: A single discount rate of 7.00% was used to measure the total pension liability and prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's 20-year Municipal GO AA Index as of December 31, 2019. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities). 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 municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 (asset) calculated using the current discount rate, as well as what the Hospital's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current rate:

	2020		2019	
	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)
1% decrease to discount rate	6.0 %	\$ 3,576,163	6.0 %	\$ 5,689,123
Current discount rate	7.0 %	(1,388,698)	7.0 %	1,441,730
1% increase to discount rate	8.0 %	(5,100,515)	8.0 %	(1,734,288)

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>.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 14: Other Postemployment Benefits - Local Retiree Life Insurance Fund

Plan Description

The Local Retiree Life Insurance Fund (LRLIF) is a cost-sharing, multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. ETF and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible employees.

OPEB LRLIF Plan Fiduciary Net Position

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

In addition, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at <https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do>.

Benefits Provided

The LRLIF plan provides fully paid-up life insurance benefits for post-age-64 retired employees and pre-age-65 retirees who pay for their coverage.

Contributions

The Group Insurance Board approves contribution rates annually based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a postretirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with basic coverage after age 65. There are no employer contributions required for pre-age-65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of December 31, 2020, follows:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% postretirement coverage	40% of employee contribution
25% postretirement coverage	20% of employee contribution

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 14: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

Contributions (Continued)

Employee contributions are based on nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2019, follow:

Attained Age	Basic	Supplemental
Under 30	\$ 0.05	\$ 0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

*Disabled members under age 70 receive a waiver-of-premium benefit.

During the reporting period, the LRLIF recognized \$453,979 in contributions from the employer.

OPEB LRLIF Liabilities, OPEB LRLIF Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB LRLIF

At December 31, 2020, the Hospital reported a liability of \$349,366 for its proportionate share of the net OPEB LRLIF liability. The net OPEB LRLIF liability was measured as of December 31, 2019, and the total OPEB LRLIF liability used to calculate the net OPEB LRLIF asset was determined by an actuarial valuation as of January 1, 2019, rolled forward to December 31, 2019. 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 OPEB LRLIF liability was based on the Hospital's share of contributions to the OPEB LRLIF plan relative to the contributions of all participating employers. At December 31, 2019, the Hospital's proportion was 0.08204559%.

For the year ended December 31, 2020, the Hospital recognized OPEB LRLIF expense of \$59,181.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 14: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

OPEB LRLIF Liabilities, OPEB LRLIF Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB LRLIF (Continued)

At December 31, 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB LRLIFs from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 15,651
Net difference between projected and actual earnings in pension plan investments	6,590	-
Changes in assumptions	128,883	38,428
Changes in proportion and differences between employer contributions and proportionate share of contributions	208,791	-
Employer contributions subsequent to the measurement date	1,832	-
Totals	\$ 346,096	\$ 54,079

The amount of \$1,832 reported as deferred outflows of resources related to OPEB LRLIF resulting from the Hospital's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB LRLIF liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB LRLIF will be recognized in OPEB LRLIF expense as follows:

Year Ending December 31	Net Deferred Inflows of Resources
2021	\$ 48,205
2022	48,205
2023	47,494
2024	46,762
2025	44,552
Thereafter	54,967

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 14: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

OPEB LRLIF Liabilities, OPEB LRLIF Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB LRLIF (Continued)

The total OPEB LRLIF liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial value date	January 1, 2020
Measurement date of net OPEB liability (asset)	December 31, 2020
Actual cost method	Entry age normal
20 year tax-exempt municipal bond yield	2.74%
Long-term expected rate of return	4.25%
Discount rate	2.87%
Salaries increases:	
Inflation	3.00%
Seniority/merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table

Actuarial assumptions are based on an experienced study conducted in 2018 that covered a three-year period from January 1, 2015, through December 31, 2017. The total OPEB LRLIF liability for December 31, 2019, is based on a rollforward of the liability calculated from the December 31, 2019, actuarial valuation.

Long-Term Expected Return on Plan Assets: The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carrier's general fund, specifically 10-year A-Bonds (as a proxy and not tied to any specific investment). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. credit bonds	Barclays Credit	45 %	2.12 %
U.S. long credit bonds	Barclays Long Credit	5 %	2.90 %
U.S. mortgages	Barclays MBS	50 %	1.53 %
Inflation			2.20 %
Long-term expected rate of return			4.25 %

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 14: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

OPEB LRLIF Liabilities, OPEB LRLIF Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB LRLIF (Continued)

The long-term expected rate of return decreased slightly from 5.00% in the prior year to 4.25% in the current year. This change was based primarily on the target asset allocation and capital market expectations. The expected inflation rate also decreased slightly from 2.30% in the prior year to 2.20% in the current year. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Single Discount Rate: A single discount rate of 2.87% was used to measure the total OPEB LRLIF liability for the current year, as opposed to a discount rate of 4.22% for the prior year. The significant change in the discount rate was caused primarily by the decrease in the municipal bond rate from 4.10% as of December 31, 2018, to 2.74% as of December 31, 2019. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB LRLIF liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

Sensitivity of the Hospital's Proportionate Share of the Net OPEB LRLIF Liability (Asset) to Changes in the Discount Rate: The following presents the Hospital's proportionate share of the net OPEB LRLIF liability calculated using the discount rate of 2.87%, as well as what the Hospital's proportionate share of the net OPEB LRLIF liability would be if it were calculated using a discount rate one percentage point lower (1.87%) or one percentage point higher (3.87%) than the current rate:

	1% Decrease to Discount Rate (1.87%)	Current Discount Rate (2.87%)	1% Increase to Discount Rate (3.87%)
Hospital's proportionate share of the net OPEB LRLIF liability (asset)	\$ 482,416	\$ 349,366	\$ 248,141

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 15: Other Postemployment Benefits Plan - Medical and Dental Plan

The County administers a single-employer defined benefit OPEB medical and dental 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 Government Accounting Standards Board (GASB) No. 75, paragraph 4, and there is not a standalone report for the plan. There are 128 active plan members, 14 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 medical and dental plan. Currently, the Hospital allows retirees who have attained eligibility through WRS and their spouses to continue on the Hospital's medical and dental plan by paying 100% of the premium.

The Hospital's total OPEB medical and dental plan liability of \$405,436 was measured as of December 31, 2020, and was determined by an actuarial valuation as of December 31, 2020. The Hospital's total OPEB medical and dental liability of \$376,442 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. The total OPEB medical and dental plan 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%
Medical and dental cost	

Annual Pre-Medicare Trend Rate		
	Medical	Dental
2021	6.00 %	5.00 %
2022	5.50 %	5.00 %
2023	5.00 %	5.00 %
2024	4.90 %	4.90 %
2025	4.80 %	4.80 %
2030	4.40 %	4.40 %
2040	4.50 %	4.50 %
2050	4.60 %	4.60 %
2060	4.40 %	4.40 %
2070	4.00 %	4.00 %
Ultimate (2074)	3.70 %	3.70 %

Discount rate	2.74% (2020) and 4.10% (2019)
Mortality	Wisconsin 2018 Mortality Table
Actuarial assumptions	Based on an experience study using WRS experience from 2015-2017

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 15: Other Postemployment Benefits Plan - Medical and Dental Plan (Continued)

The 2.74% and 4.10% discount rates used to measure the total OPEB medical and dental plan liability were determined by the actuary at Bond Buyer 20-Bond Go index for a 20-year AA municipal bond as of December 31, 2020 and 2019, respectively.

Changes in the total OPEB medical and dental plan liability for the year ended December 31, 2020, follow:

	2020	2019
Balance at beginning of year	\$ 376,442	\$ 384,944
Changes for the year:		
Service cost	29,208	28,315
Interest	16,444	13,495
Effect of assumptions changes or inputs	30,691	(15,458)
Benefit payments	(47,349)	(34,854)
Net changes	28,994	(8,502)
Balance at end of year	\$ 405,436	\$ 376,442

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

	2020		2019	
	Discount Rate	Total OPEB Liability	Discount Rate	Total OPEB Liability
1% decrease to discount rate	1.74 %	\$ 429,955	3.10 %	\$ 396,432
Current discount rate	2.74 %	405,436	4.10 %	376,442
1% increase to discount rate	3.74 %	382,333	5.10 %	350,986

The following represents the Hospital's total OPEB medical and dental plan liability calculated using the healthcare cost trend rate of 6.0% decreasing to 3.7% in 2020 and 8.3% decreasing to 3.9% in 2019, as well as what the Hospital's total OPEB medical and dental plan liability would be if it were calculated using the healthcare cost trend rate one percentage point lower 6.0% decreasing to 3.7% in 2020 or one percentage point higher than the current rate:

	2020
1% decrease (5.0% decreasing to 2.7%)	\$ 371,656
Healthcare cost trend rate (6.0% decreasing to 3.7%)	405,436
1% increase (7.0% decreasing to 4.7%)	445,941

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 15: Other Postemployment Benefits Plan - Medical and Dental Plan (Continued)

	2019
1% decrease (7.3% decreasing to 2.9%)	\$ 341,561
Healthcare cost trend rate (8.3% decreasing to 3.9%)	376,442
1% increase (9.3% decreasing to 4.9%)	410,088

For the years ended December 31, 2020 and 2019, the Hospital recognized OPEB medical and dental plan expense of \$64,114 and \$54,304, respectively. At December 31, the Hospital reported deferred outflows of resources related to the OPEB medical and dental plan from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 68,082	\$ (62,243)	\$ 6,059	\$ (13,643)
Benefit payments subsequent to the measurement date	44,664	-	34,854	-
Totals	\$ 112,746	\$ (62,243)	\$ 40,913	\$ (13,643)

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

Year Ending December 31	Net Deferred Outflows (Inflows) of Resources
2021	\$ 370
2022	370
2023	370
2024	370
2025	370
Thereafter	1,302

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 16: 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 with the 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, 2022.

Note 17: 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:

	2020	2019
Medicare and Medicare Advantage plans	42 %	42 %
Medicaid and Medicaid HMO plans	8	9
Other third-party payors	46	36
Private pay	4	13
Totals	100 %	100 %

Note 18: 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.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 18: Laws and Regulations (Continued)

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, 2020, the Hospital has not been notified by a RAC of any potential reimbursement adjustments.

Note 19: Subsequent Events

Global Pandemic Funds

Subsequent to year-end, the Hospital received additional funds of approximately \$300,000 to be used in response to the global pandemic.

Rural Health Clinic Medicare Reimbursement

Effective April 1, 2021, the Hospital's rural health clinics will be subject to new Medicare reimbursement rates based on a 2020 base rate indexed annually by the Medicare Economic Index (MEI). Management is evaluating the impact this change in reimbursement methodology will have on the Hospital.

Paycheck Protection Program

On May 6, 2021, the Hospital received notice that the PPP loan in the amount of \$1,952,200 was fully forgiven. The loan forgiveness will be recorded as nonoperating revenue in the Statements of Revenue, Expenses, and Changes in Net Position in 2021.

Long-Term Debt Payoff

On June 17, 2021, the Hospital paid off three general obligation promissory notes totaling approximately \$2,078,000.

Required Supplementary Information

Memorial Hospital of Lafayette County

Schedule 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 Calendar Years*

Measurement Date December 31,	Hospital's Proportion of the Net Pension Liability (Asset)	Hospital's Proportionate Share of the Net Pension Liability (Asset)	Hospital's Covered Payroll	Hospital's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.04306767 %	\$ (1,388,698)	\$ 7,045,333	(19.71)%	102.96 %
2018	0.03971300	1,441,730	6,524,481	22.10	96.45
2017	0.03628196	(1,074,000)	5,981,380	(17.96)	102.93
2016	0.02709655	223,159	3,865,252	5.77	99.12
2015	0.02702986	439,230	3,803,035	11.55	98.20
2014	0.02517635	(618,400)	3,789,253	(16.32)	102.74

Schedule of the Employer Contributions

Wisconsin Retirement System (WRS)

Last 10 Fiscal Years*

Year Ended December 31,	Contractually Required Contributions for the Fiscal Period	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Hospital's Covered Payroll for the Fiscal Year	Contributions as a Percentage of Covered Payroll
2020	\$ 552,542	\$ 552,542	\$ -	\$ 8,354,001	6.61 %
2019	456,191	456,191	-	7,045,333	6.48
2018	441,851	441,851	-	6,524,481	6.77
2017	403,676	403,676	-	5,981,380	6.75
2016	255,107	255,107	-	3,865,252	6.60
2015	257,545	257,545	-	3,803,035	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: No significant changes in assumptions were noted from the prior year.

*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 the Employer's Proportionate Share of the Net OPEB Liability
and Employer Contributions - Local Retiree Life Insurance Fund (LRLIF)
 Last 10 Years*

Schedule of the Employer's Proportionate Share of the Net OPEB Liability
Local Retiree Life Insurance Fund (LRLIF)

Measurement Date December 31,	Hospital's Proportion of the Net OPEB Liability	Hospital's Proportionate Share of the Net OPEB Liability	Hospital's Covered Payroll	Hospital's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	0.08204559 %	\$ 349,366	\$ 5,364,900	6.51 %	37.58 %

Schedule of the Employer Contributions
Local Retiree Life Insurance Fund (LRLIF)
 Last 10 Fiscal Years*

Year Ended December 31,	Contractually Required Contributions for the Fiscal Period	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Hospital's Covered Payroll for the Fiscal Period	Contributions as a Percentage of Covered Payroll
2020	\$ 1,832	\$ 1,832	\$ -	\$ 5,369,656	0.0341 %
2019	1,406	1,406	-	5,364,900	0.0262

Notes to the Schedules:

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

Changes of assumptions: Several actuarial assumptions changed from the prior year, including the single discount rate, long-term expected rate of return, and expected inflation. Please refer to the Actuarial Assumptions section above for additional details.

*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 Medical and Dental Plan Liability
and Related Ratios
Last 10 Fiscal Years*

	2020	2019
Measurement date	12/31/2019	12/31/2018
Total OPEB liability:		
Service cost	\$ 29,208	\$ 28,315
Interest on the total OPEB liability	16,444	13,495
Changes of assumptions or inputs	30,691	(15,458)
Benefit payments	(47,349)	(34,854)
Net change in total OPEB liability	28,994	(8,502)
Total OPEB liability - Beginning	376,442	384,944
Total OPEB liability - Ending	\$ 405,436	\$ 376,442
Covered-employee payroll	\$ 8,077,618	\$ 6,669,514
Total OPEB liability as a percentage of covered-employee payroll	5.02 %	5.64 %

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>	2020	2019
Operating revenue:		
Inpatient services:		
Routine nursing care	\$ 995,869	\$ 1,016,198
Nursing - Swing bed	485,932	667,624
Medical and surgical supplies	292,680	454,659
Operating and recovery room	2,790,451	4,223,111
Emergency room	96,416	47,712
Anesthesia	325,180	405,880
Laboratory	268,390	210,945
Radiology	223,424	209,374
Pharmacy	537,625	540,477
Rehabilitation services	297,715	373,030
Cardiopulmonary care	213,876	321,476
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Total inpatient services	6,527,558	8,470,486
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Outpatient services:		
Operating and recovery room	5,362,497	6,524,876
Emergency room and observation	2,768,741	3,540,668
Emergency room physician	1,190,729	1,396,905
Anesthesia	795,920	932,732
Laboratory	3,861,076	3,767,247
Radiology	5,506,496	6,903,255
Pharmacy	1,529,406	1,811,058
Rehabilitation services	1,345,997	1,563,531
Cardiopulmonary care	573,982	845,611
Medical and surgical supplies	520,964	921,472
<hr/>		
Total outpatient services	23,455,808	28,207,355
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Clinic services:		
Darlington clinic	2,397,539	2,230,358
Shullsburg clinic	403,258	526,195
Argyle clinic	502,981	484,128
Specialty clinic	3,388,262	4,320,175
<hr/>		
Total clinic services	6,692,040	7,560,856
<hr/>		
Total patient service revenue carried forward	36,675,406	44,238,697

Memorial Hospital of Lafayette County

Schedules of Net Patient Service Revenue (Continued)

<i>Years Ended December 31,</i>	2020	2019
Total patient service revenue brought forward	\$ 36,675,406	\$ 44,238,697
Deductions from revenue:		
Medicare discounts and adjustments	(7,502,507)	(11,825,345)
Medicaid discounts and adjustments	(1,239,887)	(2,180,772)
Other discounts and adjustments	(5,942,237)	(8,190,667)
Total deductions from revenue	(14,684,631)	(22,196,784)
Net patient service revenue	21,990,775	22,041,913
Provision for bad debts	335,468	195,502
Net patient service revenue, net of provision for bad debts	\$ 21,655,307	\$ 21,846,411

See Independent Auditor's Report.

Memorial Hospital of Lafayette County

Schedules of Operating Expenses

<i>Years Ended December 31,</i>	2020	2019
Operating expenses:		
Medical and surgical	\$ 1,868,917	\$ 1,790,762
Operating/recovery room	1,646,503	1,695,765
Emergency room	2,201,797	2,169,094
Anesthesiology	629,317	619,961
Laboratory	1,222,517	956,987
Radiology	1,623,465	1,396,364
Pharmacy	594,440	619,588
Physical therapy	915,973	932,083
Cardiopulmonary care	295,161	372,938
Dietary	356,534	330,953
Housekeeping/laundry	350,905	288,328
Plant operation	208,653	201,767
Maintenance	359,545	342,021
Material management	148,973	85,680
Administration	1,798,337	1,397,191
Business office	686,380	600,062
Medical records	475,856	419,109
Nursing administration	397,473	307,723
Telephone/television	62,479	35,673
Community outreach	215,322	154,923
IT department	172,307	185,050
Electronic health records	70,349	121,881
Clinic - Darlington	3,198,297	2,498,339
Clinic - Shullsburg	386,409	340,936
Clinic - Argyle	525,983	371,071
Specialty clinic services	1,619,552	1,674,457
Postretirement benefit expense - GASB 68 and 75	47,521	451,656
Total operating expenses	\$ 22,078,965	\$ 20,360,362

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, 2020, and the related statements of revenue, expenses, and changes in net position and cash flows as of December 31, 2020, and the related notes to the financial statements and have issued our report thereon dated August 17, 2021.

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") as a basis for designing 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, 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 2020-001, 2020-002, and 2020-003.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

August 17, 2021
Eau Claire, Wisconsin

Memorial Hospital of Lafayette County

Schedule of Findings

Year Ended December 31, 2020

Finding 2020-001—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, 2020, 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 about 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 2020-002—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 closing process. Since the Hospital’s internal controls did not discover these adjustments prior to our audit, a material weakness in the Hospital’s controls over financial reporting exists.

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 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, 2020

Finding 2020-003—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 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.