

Memorial Hospital of Lafayette County

An Enterprise Fund of Lafayette County

Financial Statements, Required Supplementary
Information, and Supplementary Information

Years Ended December 31, 2021 and 2020



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Memorial Hospital of Lafayette County

Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
Memorial Hospital of Lafayette County
Darlington, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Memorial Hospital of Lafayette County, which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Memorial Hospital of Lafayette County as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Memorial Hospital of Lafayette County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2021 and 2020, the changes in its financial position, or its cash flows for the years then ended in accordance with GAAP. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Memorial Hospital of Lafayette County's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Memorial Hospital of Lafayette County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Memorial Hospital of Lafayette County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Required Supplementary Information

GAAP requires that the 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 46 through 48 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 GAAS, 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.

Memorial Hospital of Lafayette County has omitted a management's discussion and analysis that GAAP require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information appearing on pages 50 through 52 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. 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 September 21, 2022, 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 the Hospital's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Eau Claire, Wisconsin

September 21, 2022

Memorial Hospital of Lafayette County

Statements of Net Position

<i>December 31,</i>	2021	2020
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 3,086,530	\$ 4,494,608
Patient receivables - Net	3,297,321	2,862,388
Other receivables	109,977	77,425
Inventories	457,144	358,899
Prepaid expenses	439,747	367,040
Amounts receivable from third-party reimbursement programs	1,000,000	2,385,000
Total current assets	8,390,719	10,545,360
Noncurrent assets:		
Other assets:		
Investment in unconsolidated affiliate	96,826	68,966
Restricted - Net pension assets	2,909,331	1,388,698
Total other assets	3,006,157	1,457,664
Capital assets:		
Land	109,509	106,159
Construction in progress	314,629	221,911
Depreciable capital assets - Net of accumulated depreciation	5,739,782	6,155,679
Capital assets - Net	6,163,920	6,483,749
Total noncurrent assets	9,170,077	7,941,413
Total assets	17,560,796	18,486,773
Deferred outflows of resources:		
Related to pensions	4,581,138	3,092,374
Other post employment benefits (OPEB):		
Related to Local Retiree Life Insurance Fund (LRLIF)	398,038	346,096
Related to medical and dental plan	118,570	112,746
Total deferred outflows of resources	5,097,746	3,551,216
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 22,658,542	\$ 22,037,989

Memorial Hospital of Lafayette County

Statements of Net Position (Continued)

<i>December 31,</i>	2021	2020
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Current portion of capital leases payable	\$ 61,789	\$ 80,968
Current portion of long-term debt	-	1,797,852
Accounts payable	892,894	530,432
Accrued payroll and payroll taxes	152,971	122,019
Accrued interest	4,251	4,251
Unearned revenue	-	2,450,000
Current portion of compensated absences	323,194	294,641
Total current liabilities	1,435,099	5,280,163
Noncurrent liabilities:		
Capital leases payable	54,773	115,638
Long-term debt	-	2,413,982
Compensated absences	943,471	713,535
OPEB liability LRLIF - Net	494,450	349,366
OPEB liability medical and dental plan - Net	430,837	405,436
Total noncurrent liabilities	1,923,531	3,997,957
Total liabilities	3,358,630	9,278,120
Deferred inflows of resources:		
Related to pensions	6,188,972	4,178,504
Related to OPEB LRLIF	57,519	54,079
Related to OPEB medical and dental plan	55,215	62,243
Total deferred inflows of resources	6,301,706	4,294,826
Net position:		
Net investment in capital assets	6,047,358	4,027,509
Restricted for pension benefits	2,909,331	1,388,698
Unrestricted	4,041,517	3,048,836
Total net position	12,998,206	8,465,043
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 22,658,542	\$ 22,037,989

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>	2021	2020
Operating revenue:		
Net patient service revenue	\$ 24,117,755	\$ 21,343,512
Other revenue	687,193	331,433
Total operating revenue	24,804,948	21,674,945
Operating expenses:		
Operating expenses	23,880,432	22,078,965
Depreciation	911,475	1,107,019
Total operating expenses	24,791,907	23,185,984
Income (loss) from operations	13,041	(1,511,039)
Nonoperating revenue (expenses):		
Investment income	611	1,519
Interest expense	(40,518)	(78,175)
Contribution income	2,700	14,898
Equity in unconsolidated affiliate	49,714	51,443
Grant revenue	2,750,000	2,188,086
Forgiveness of PPP loan	1,952,200	-
Gain on disposal of capital assets	-	61,058
Miscellaneous income	55,415	66,078
Total nonoperating revenue - Net	4,770,122	2,304,907
Income before transfers	4,783,163	793,868
Funds transferred to Lafayette County	50,000	-
Funds transferred to Lafayette County EMS	200,000	-
Change in net position	4,533,163	793,868
Net position at beginning of year	8,465,043	7,671,175
Net position at end of year	\$ 12,998,206	\$ 8,465,043

See accompanying notes to financial statements.

Memorial Hospital of Lafayette County

Statements of Cash Flows

<i>Years Ended December 31,</i>	2021	2020
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Cash received from and on behalf of patients	\$ 24,767,029	\$ 19,013,831
Cash payments for employee compensation and fringe benefits	(11,203,837)	(10,590,635)
Cash paid to suppliers and contractors for goods and services	(12,817,201)	(10,913,161)
Other receipts from operations other than patient services	687,193	331,433
Net cash from operating activities	1,433,184	(2,158,532)
Cash flows from investing activities - Investment income	611	1,519
Cash flows from noncapital financing activities:		
Grants and contributions	302,700	4,652,984
Proceeds from PPP loan	-	1,952,200
Funds transferred to Lafayette County	(50,000)	-
Funds transferred to Lafayette County EMS	(200,000)	-
Distributions from unconsolidated affiliate	21,854	13,270
Miscellaneous income	55,415	66,078
Net cash from noncapital financing activities	129,969	6,684,532
Cash flows from capital and related financing activities:		
Payments on capital lease obligations	(80,044)	(73,160)
Payments on long-term debt	(2,259,634)	(337,417)
Interest paid	(40,518)	(78,175)
Purchase of capital assets	(591,646)	(1,502,038)
Proceeds from sale of capital assets	-	61,058
Net cash from capital and related financing activities	(2,971,842)	(1,929,732)
Net change in cash and cash equivalents	(1,408,078)	2,597,787
Cash and cash equivalents at beginning	4,494,608	1,896,821
Cash and cash equivalents at end	\$ 3,086,530	\$ 4,494,608

Memorial Hospital of Lafayette County

Statements of Cash Flows (Continued)

Years Ended December 31,	2021	2020
Reconciliation of income (loss) from operations to net cash from operating activities:		
Income (loss) from operations	\$ 13,041	\$ (1,511,039)
Adjustments to reconcile income (loss) from operations to net cash from operating activities:		
Depreciation	911,475	1,107,019
Provision for bad debts	268,241	335,468
Changes in assets and liabilities:		
Patient receivables - Net	(703,174)	(289,758)
Other receivables	(32,552)	36,859
Inventories	(98,245)	39,475
Prepaid expenses	(72,707)	(87,024)
Amounts receivable from third-party reimbursement programs	1,385,000	(2,076,782)
Change in restricted - Net pension assets	(1,520,633)	(1,388,698)
Deferred outflows of resources:		
Related to pensions	(1,488,764)	382,767
Related to OPEB LRLIF	(51,942)	(346,096)
Related to OPEB medical and dental plan	(5,824)	(71,833)
Accounts payable	362,462	171,641
Accrued payroll and payroll taxes	30,952	(230,156)
Compensated absences	258,489	298,244
Pension liability - Net	-	(1,441,730)
OPEB liability LRLIF - Net	145,084	349,366
OPEB liability medical and dental plan - Net	25,401	28,994
Deferred inflows of resources:		
Related to pensions	2,010,468	2,432,072
Related to OPEB LRLIF	3,440	54,079
Related to OPEB medical and dental plan	(7,028)	48,600
Total adjustments	1,420,143	(647,493)
Net cash from operating activities	\$ 1,433,184	\$ (2,158,532)
Noncash operating activities:		
Forgiveness of PPP loan	\$ 1,952,000	\$ -
Equity in unconsolidated affiliate	49,714	51,443
Noncash capital and related financing activities:		
Equipment financed through capital leases	-	92,493

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 (CAH) 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 of America 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, 2021 and 2020.

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, 2021 and 2020.

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, 2021 and 2020, 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 pensions and 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.

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

During 2021, the Hospital received \$300,000 of additional funding from these programs and has recognized these funds, as well as the \$2,450,000 of unearned revenue from 2020, as grant revenue in the accompanying statements of revenue, expenses, and changes in net position in 2021.

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 funds as new guidance and clarification is released from HHS and other agencies.

In addition, the Hospital received \$1,952,200 of funding from the U.S. Small Business Administration Paycheck Protection Program (PPP) in the form of a loan as part of the CARES Act. The Hospital applied for full loan forgiveness and received notice of forgiveness on May 6, 2021, and thus recognized forgiveness of the PPP loan as nonoperating revenue in the accompanying statements of revenue, expenses, and changes in net position as of December 31, 2021.

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 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:

	2021	2020
Patient receivables	\$ 6,017,321	\$ 5,358,053
Less:		
Contractual adjustments	2,250,000	2,064,792
Allowance for uncollectible accounts	470,000	430,873
Patient receivables - Net	\$ 3,297,321	\$ 2,862,388

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:

	2021	2020
Gross patient service revenue:		
Inpatient services	\$ 6,911,481	\$ 6,527,558
Outpatient services	29,044,314	23,201,688
Clinic and other services	8,111,294	6,634,365
Total gross patient service revenue	44,067,089	36,363,611
Less:		
Contractual adjustments	19,681,093	14,684,631
Provision for bad debts	268,241	335,468
Net patient service revenue	\$ 24,117,755	\$ 21,343,512

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:

	2021	2020
Medicare and Medicare Advantage plans	54 %	52 %
Medicaid and Medicaid Health Maintenance Organization (HMO) plans	9	7
Other third-party payors	35	39
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 \$122,000 in 2021 and \$33,000 in 2020. 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
2021	\$ 96,826	\$ 49,714	\$ 21,854
2020	68,966	51,443	13,270

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 9: Capital Assets

A summary of changes in capital assets for 2021 follows:

	Balance 1/1/21	Increases	Decreases	Balance 12/31/21
Nondepreciable capital assets:				
Land	\$ 106,159	\$ 3,350	\$ -	\$ 109,509
Construction in progress	221,911	283,179	190,461	314,629
Total nondepreciable capital assets	328,070	286,529	190,461	424,138
Depreciable capital assets:				
Land improvements	239,674	11,566	-	251,240
Buildings	10,037,091	-	-	10,037,091
Buildings equipment	810,544	31,421	-	841,965
Movable equipment	6,874,621	452,591	-	7,327,212
Total depreciable capital assets	17,961,930	495,578	-	18,457,508
Less accumulated depreciation for:				
Land improvements	99,972	11,250	-	111,222
Buildings	6,353,097	319,044	-	6,672,141
Buildings equipment	468,757	28,446	-	497,203
Movable equipment	4,884,425	552,735	-	5,437,160
Total accumulated depreciation	11,806,251	911,475	-	12,717,726
Net depreciable capital assets	6,155,679	(415,897)	-	5,739,782
Total capital assets - Net	\$ 6,483,749	\$ (129,368)	\$ 190,461	\$ 6,163,920

The cost of equipment under capital lease obligations, which is included in movable equipment, was \$328,224, and the related accumulated amortization was \$253,750 at December 31, 2021.

Included in construction in progress are costs related to planning and design for a replacement hospital. See Note 20 for additional information related to replacement hospital.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 9: Capital Assets (Continued)

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
Leased equipment	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
Leased equipment	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 \$326,427, and the related accumulated amortization was \$183,290 at December 31, 2020.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 10: Long-Term Debt

Long-term obligations activity for the year ended December 31, 2021, follows:

	Balance 1/1/21	Increases	Decreases	Balance 12/31/21	Amounts Due Within One Year
Notes from direct borrowings:					
General obligation promissory note	\$ 281,288	\$ -	\$ 281,288	\$ -	-
General obligation promissory note	963,327	-	963,327	-	-
General obligation promissory note	1,015,019	-	1,015,019	-	-
PPP loan	1,952,200	-	1,952,200	-	-
Total notes from direct borrowings	4,211,834	-	4,211,834	-	-
Other liabilities:					
Vested compensated absences	1,008,176	258,489	-	1,266,665	323,194
Capital leases	196,606	1,796	81,840	116,562	61,789
Total other liabilities	1,204,782	260,285	81,840	1,383,227	384,983
Total long-term obligations	\$ 5,416,616	\$ 260,285	\$ 4,293,674	\$ 1,383,227	\$ 384,983

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, 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)

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

	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2021	Remaining Funds to Be Advanced
General obligation promissory note	Paid in full	2.49 %	\$ 650,000	\$ -	-
General obligation promissory note	Paid in full	2.29 %	1,400,000	-	-
General obligation promissory note	Paid in full	2.29 %	1,300,000	-	-

Note 11: Leases

Lessee - Capital Leases

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

	Principal	Interest
2022	\$ 61,789	\$ 3,627
2023	18,595	1,000
2023	19,025	570
2024	17,153	139
Totals	\$ 116,562	\$ 5,336

Lessee - Operating Leases

The Hospital has entered into a number of operating lease agreements for equipment with unrelated parties. Rental expense totaled \$349,621 in 2021 and \$387,100 in 2020.

Memorial Hospital of Lafayette County

Notes to Financial Statements

Note 12: Net Position

Net position includes the following at December 31:

	2021	2020
Net investment in capital assets:		
Land	\$ 109,509	\$ 106,159
Construction in progress	314,629	221,911
Other capital assets - Net of accumulated depreciation	5,739,782	6,155,679
Less - Related capital leases payable	(116,562)	(196,606)
Less - Related long-term debt	-	(2,259,634)
Total net investment in capital assets	6,047,358	4,027,509
Restricted for pension benefits	2,909,331	1,388,698
Unrestricted	4,041,517	3,048,836
Total net position	\$ 12,998,206	\$ 8,465,043

Note 13: Employee Retirement Plans - Wisconsin Retirement System

Plan Description

The Wisconsin Retirement System (WRS) is a cost-sharing, multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may 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 issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found online at <https://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.

Memorial Hospital of Lafayette County

Notes to Financial Statements

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

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupation employees and 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.

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
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)%
2020	1.7 %	21.0 %

Memorial Hospital of Lafayette County

Notes to Financial Statements

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

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 \$623,504 and \$552,542 in contributions from the employer.

Contribution rates as of December 31, 2021 and 2020, are as follows:

	2021		2020	
	Employee	Employer	Employee	Employer
General (including teachers, executives, and elected officials)	6.75 %	6.75 %	6.75 %	6.75 %
Protective with Social Security	6.75 %	11.75 %	6.75 %	11.65 %
Protective without Social Security	6.75 %	16.35 %	6.75 %	16.25 %

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

At December 31, 2021 and 2020, the Hospital reported an asset of \$2,909,331 and \$1,388,698 for its proportionate share of the net pension liability. The net pension asset was measured as of December 31 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation one year prior and rolled forward to the measurement date. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Hospital's proportion of the net pension 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, 2021 and 2020, the Hospital's proportion was 0.04660045% and 0.04306767%, respectively.

For the years ended December 31, 2021 and 2020, the Hospital recognized pension (income) expense of \$(375,425) and \$536,953, respectively.

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)

At December 31, 2021 and 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,965,733	\$ (583,597)	\$ 2,517,071	\$ (1,058,834)
Net difference between projected and actual earnings on pension plan investments	-	(5,605,168)	-	(3,117,792)
Changes in assumptions	(26,677)	-	20,721	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,578	(207)	2,040	(1,878)
Employer contributions subsequent to the measurement date	623,504	-	552,542	-
Totals	\$ 4,581,138	\$ (6,188,972)	\$ 3,092,374	\$ (4,178,504)

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
2022	\$ (572,983)
2023	(152,384)
2024	(1,058,844)
2025	(447,127)

Memorial Hospital of Lafayette County

Notes to Financial Statements

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

Actuarial Assumptions

The total pension liability in the actuarial valuations used for the years ended December 31, 2021 and 2020, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	2020
Actuarial valuation date	December 31, 2019	December 31, 2018
Measurement date of net pension liability (asset)	December 31, 2020	December 31, 2019
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	Fair value	Fair 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%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2018 Mortality 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.*

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, 2020, 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 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:

Memorial Hospital of Lafayette County

Notes to Financial Statements

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

Asset Allocation Targets and Expected Returns

Asset Class	December 31, 2020		
	Asset Allocation Percentage	Long-Term Expected Nominal Rate of Return Percentage	Long-Term Expected Real Rate of Return Percentage
Core fund:			
Global equities	51.0 %	7.2 %	4.7 %
Fixed income	25.0 %	3.2 %	0.8 %
Inflation sensitive assets	16.0 %	2.0 %	(0.4)%
Real estate	8.0 %	5.6 %	3.1 %
Private equity/debt	11.0 %	10.2 %	7.3 %
Multi-asset	4.0 %	5.8 %	3.3 %
Total core fund	115.0 %	6.6 %	4.1 %
Variable fund:			
U.S. equities	70.0 %	6.6 %	4.1 %
International equities	30.0 %	7.4 %	4.9 %
Total variable fund	100.0 %	7.1 %	4.6 %

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.4%

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, 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)

Asset Allocation Targets and Expected Returns (Continued)

Single Discount Rate: A single discount rate of 7.00% was used to measure the total pension liability. 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 2.00% (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, 2020. 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. 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:

	2021		2020	
	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)
1% decrease to discount rate	6.0 %	\$ 2,981,272	6.0 %	\$ 3,576,163
Current discount rate	7.0 %	2,909,331	7.0 %	(1,388,698)
1% increase to discount rate	8.0 %	(7,622,229)	8.0 %	(5,100,515)

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 <https://etf.wi.gov/publications/cafr.htm>.

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, 2021 and 2020, are as follows:

Coverage Type	Employer Contribution
50% postretirement coverage	40% of employee contribution
25% postretirement covered	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, 2020 and 2019, follow:

Life Insurance Employee Contributions Rates For the Year Ended December 31, 2020 and 2019

Attained Age	2021	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 periods, the LRLIF recognized \$2,002 and \$1,832 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, 2021 and 2020, the Hospital reported a liability of \$494,450 and \$349,366 for its proportionate share of the net OPEB LRLIF liability. The net OPEB LRLIF liability was measured as of December 31, 2020, and the total OPEB LRLIF liability used to calculate the net OPEB LRLIF asset was determined by an actuarial valuation as of January 1, 2020, rolled forward to December 31, 2020. 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, 2020 and 2019, the Hospital's proportion was 0.08988817% and 0.08204559%, respectively.

For the year ended December 31, 2021 and 2020, the Hospital recognized OPEB LRLIF expense of \$98,584 and \$59,181, respectively.

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, 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB LRLIFs from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflow of Resources	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ (23,593)	\$ -	\$ (15,651)
Net difference between projected and actual earnings in pension plan investments	7,199	-	6,590	-
Changes in assumptions	192,348	(33,926)	128,883	(38,428)
Changes in proportion and differences between employer contributions and proportionate share of contributions	196,489	-	208,791	-
Employer contributions subsequent to the measurement date	2,002	-	1,832	-
Totals	\$ 398,038	\$ (57,519)	\$ 346,096	\$ (54,079)

Memorial Hospital of Lafayette County

Notes to Financial Statements

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

The amounts 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 subsequent year. 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
2022	\$ 64,627
2023	63,849
2024	63,047
2025	60,626
2026	66,349
Thereafter	20,019

Actuarial Assumptions

The total OPEB liability in the actuarial valuations used for the years ended December 31, 2021 and 2020, were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	2020
Actuarial value date	January 1, 2020	January 1, 2019
Measurement date of net OPEB liability (asset)	December 31, 2020	December 31, 2019
Actual cost method	Entry age normal	Entry age normal
20 year tax-exempt municipal bond yield	2.12%	2.74%
Long-term expected rate of return	4.25%	4.25%
Discount rate	2.25%	2.87%
Salaries increases:		
Inflation	3.00%	3.00%
Seniority/merit	0.1% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2018 Mortality Table

Memorial Hospital of Lafayette County

Notes to Financial Statements

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

Actuarial Assumptions (Continued)

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	December 31, 2020	
		Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. credit bonds	Barclays Credit	50 %	1.47 %
U.S. mortgages	Barclays MBS	50 %	0.82 %
Inflation			2.20 %
Long-term expected rate of return			4.25 %

Asset Class	Index	December 31, 2019	
		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)

Actuarial Assumptions (Continued)

The long-term expected rate of return and expected inflation remained unchanged from the prior year at 4.25% and 2.20%, respectively. 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 2.25% was used to measure the total OPEB LRLIF liability for the current year, as opposed to a discount rate of 2.87% for the prior year. The significant change in the discount rate was caused primarily by the decrease in the municipal bond rate from 2.74% as of December 31, 2019, to 2.12% as of December 31, 2020. 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 current discount rate, 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 or one percentage point higher (3.25%) than the current rate:

	2020		2019	
	Discount Rate	Net OPEB LRLIF Liability	Discount Rate	Net OPEB LRLIF Liability
1% decrease to discount rate	1.25 %	\$ 672,596	1.87 %	\$ 482,416
Current discount rate	2.25 %	494,450	2.87 %	349,366
1% increase in discount rate	3.25 %	359,727	3.87 %	248,141

OPEB Plan Fiduciary Net Position

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

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 \$430,837 was measured as of December 31, 2021, and was determined by an actuarial valuation as of December 31, 2021. The Hospital's total OPEB medical and dental liability of \$405,436 was measured as of December 31, 2020, and was determined by an actuarial valuation as of December 31, 2020. 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	2.12% (2021) and 2.74% (2020)
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 2.12% and 2.74% 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, 2021 and 2020, respectively.

Changes in the total OPEB medical and dental plan liability for the year ended December 31, 2021, follow:

	2021	2020
Balance at beginning of year	\$ 405,436	\$ 376,442
Changes for the year:		
Service cost	31,476	29,208
Interest	11,668	16,444
Effect of assumptions changes or inputs	28,216	30,691
Benefit payments	(45,959)	(47,349)
Net changes	25,401	28,994
Balance at end of year	\$ 430,837	\$ 405,436

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:

	2021		2020	
	Discount Rate	Total OPEB Liability	Discount Rate	Total OPEB Liability
1% decrease to discount rate	1.12 %	\$ 458,643	1.74 %	\$ 429,955
Current discount rate	2.12 %	430,837	2.74 %	405,436
1% increase to discount rate	3.12 %	404,614	3.74 %	382,333

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 2021 and 2020, 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 or one percentage point higher than the current rate:

	2021
1% decrease (5.0% decreasing to 2.7%)	\$ 387,584
Healthcare cost trend rate (6.0% decreasing to 3.7%)	430,837
1% increase (7.0% decreasing to 4.7%)	483,185

Memorial Hospital of Lafayette County

Notes to Financial Statements

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

	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

For the years ended December 31, 2021 and 2020, the Hospital recognized OPEB medical and dental plan expense of \$58,879 and \$64,114, respectively. At December 31, the Hospital reported deferred outflows of resources related to the OPEB medical and dental plan from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 72,240	\$ (55,215)	\$ 68,082	\$ (62,243)
Benefit payments subsequent to the measurement date	46,330	-	44,664	-
Totals	\$ 118,570	\$ (55,215)	\$ 112,746	\$ (62,243)

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
2022	\$ 2,306
2023	2,306
2024	2,306
2025	2,306
2026	1,564
Thereafter	6,608

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:

	2021	2020
Medicare and Medicare Advantage plans	45 %	42 %
Medicaid and Medicaid HMO plans	10	8
Other third-party payors	43	46
Private pay	2	4
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, 2021, the Hospital has not been notified by a RAC of any potential reimbursement adjustments.

Note 19: Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the classifications used in 2021.

Note 20: Subsequent Events

Replacement Hospital

Subsequent to year end, the Hospital purchased land for approximately \$870,000 for construction of a replacement hospital.

In addition, the Hospital is in the process of securing financing for the construction costs related to the replacement hospital. The Hospital is working with the United States Department of Agriculture (USDA) to secure approximately \$46,000,000 through the USDA Rural Housing Service Community Facility Direct Loan program. An additional \$5,000,000 of financing has been obligated through the USDA Community Facility Guaranteed Loan program. The Hospital has also been approved to receive a \$4,000,000 grant from the State of Wisconsin - American Rescue Plan Act of 2021 and has applied for an additional \$1,000,000 from the Emergency Rural Health Care Grant program.

Need for Nurses Partnership

Subsequent to year end, the Hospital entered into a \$75,000 commitment to be paid over three years with Southwest Wisconsin Technical College Foundation. The funding will be used to enhance the nursing program at Southwest Wisconsin Technical College, as well as, assist with recruiting for nurses at the Hospital.

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	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
December 31, 2020	0.04660045 %	\$ (2,909,331)	\$ 8,354,001	(34.83)%	105.26 %
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
2021	\$ 623,504	\$ 623,504	\$ -	\$ 9,351,341	6.67 %
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
2020	0.08988817 %	\$ 494,450	\$ 5,369,656	9.21 %	31.36 %
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	\$ 2,002	\$ 2,002	\$ -	\$ 7,274,027	0.0275 %
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*

	2021	2020
Measurement date	12/31/2020	12/31/2019
Total OPEB liability:		
Service cost	\$ 31,476	\$ 29,208
Interest on the total OPEB liability	11,668	16,444
Changes of assumptions or inputs	28,216	30,691
Benefit payments	(45,959)	(47,349)
Net change in total OPEB liability	25,401	28,994
Total OPEB liability - Beginning	405,436	376,442
Total OPEB liability - Ending	\$ 430,837	\$ 405,436
Covered-employee payroll	\$ 8,077,618	\$ 8,077,618
Total OPEB liability as a percentage of covered-employee payroll	5.33 %	5.02 %

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>	2021	2020
Operating revenue:		
Inpatient services:		
Routine nursing care	\$ 1,184,810	\$ 995,869
Nursing - Swing bed	455,082	485,932
Medical and surgical supplies	366,579	292,680
Operating and recovery room	2,648,528	2,790,451
Emergency room	130,925	96,416
Anesthesia	293,915	325,180
Laboratory	386,610	268,390
Radiology	321,711	223,424
Pharmacy	583,453	537,625
Rehabilitation services	295,511	297,715
Cardiopulmonary care	244,357	213,876
Total inpatient services	6,911,481	6,527,558
Outpatient services:		
Operating and recovery room	7,003,983	5,362,497
Emergency room and observation	3,233,157	2,768,741
Emergency room physician	1,465,235	1,190,729
Anesthesia	1,006,660	795,920
Laboratory	4,552,785	3,861,076
Radiology	7,150,699	5,506,496
Pharmacy	1,958,864	1,529,406
Rehabilitation services	1,360,904	1,090,258
Cardiopulmonary care	909,631	575,601
Medical and surgical supplies	402,396	520,964
Total outpatient services	29,044,314	23,201,688
Clinic services:		
Darlington clinic	2,526,121	2,397,539
Shullsburg clinic	479,249	403,258
Argyle clinic	766,856	502,981
Specialty clinic	4,339,068	3,330,587
Total clinic services	8,111,294	6,634,365
Total patient service revenue (carried forward)	44,067,089	36,363,611

Memorial Hospital of Lafayette County

Schedules of Net Patient Service Revenue (Continued)

<i>Years Ended December 31,</i>	2021	2020
Total patient service revenue (brought forward)	\$ 44,067,089	\$ 36,363,611
Deductions from revenue:		
Medicare discounts and adjustments	(10,334,604)	(7,502,507)
Medicaid discounts and adjustments	(1,940,201)	(1,239,887)
Other discounts and adjustments	(7,406,288)	(5,942,237)
Total deductions from revenue	(19,681,093)	(14,684,631)
Net patient service revenue	24,385,996	21,678,980
Provision for bad debts	268,241	335,468
Net patient service revenue, net of provision for bad debts	\$ 24,117,755	\$ 21,343,512

See Independent Auditor's Report.

Memorial Hospital of Lafayette County

Schedules of Operating Expenses

<i>Years Ended December 31,</i>	2021	2020
Operating expenses:		
Medical and surgical	\$ 2,143,988	\$ 1,868,917
Operating/recovery room	1,771,237	1,646,503
Emergency room	2,305,808	2,201,797
Anesthesiology	634,832	629,317
Laboratory	1,435,314	1,222,517
Radiology	1,854,621	1,623,465
Pharmacy	749,482	594,440
Physical therapy	991,660	915,973
Cardiopulmonary care	262,041	295,161
Dietary	382,459	356,534
Housekeeping/laundry	417,507	350,905
Plant operation	201,707	208,653
Maintenance	432,781	359,545
Material management	168,502	148,973
Administration	1,426,416	1,545,120
Business office	937,866	686,380
Medical records	506,696	475,856
Nursing administration	487,436	397,473
Telephone/television	52,385	62,479
Community outreach	303,632	215,322
Information technology	179,599	172,307
Electronic health records	362,753	323,566
Clinic - Darlington	3,292,801	3,198,297
Clinic - Shullsburg	341,518	386,409
Clinic - Argyle	830,285	525,983
Specialty clinic services	2,296,904	1,619,552
Postretirement benefit adjustment - GASB 68 and 75	(889,798)	47,521
Total operating expenses	\$ 23,880,432	\$ 22,078,965

See Independent Auditor's Report.

Compliance

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

Board of Trustees
Memorial Hospital of Lafayette County
Darlington, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Memorial Hospital of Lafayette County (the "Hospital"), as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated September 21, 2022.

Report on Internal Control Over Financial Reporting

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

Our consideration of 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 have not been identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis. We identified a deficiency in internal control, schedule of findings as item 2021-001 that we consider to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings item 2021-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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

The Hospital's responses to the findings in our audit are described in the accompanying schedule of findings. The Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

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

Wipfli LLP

Eau Claire, Wisconsin
September 21, 2022

Memorial Hospital of Lafayette County

Schedule of Findings

Year Ended December 31, 2021

Finding 2021-001 – 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, 2021, 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 accounting principles generally accepted in the United States of America (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 2021-002 – 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 significant deficiency 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.