

WYANDOT MEMORIAL HOSPITAL
(WYANDOT COUNTY, OHIO)

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020 AND 2019

CPAs / ADVISORS



OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Governors
Wyandot Memorial Hospital
885 N. Sandusky Avenue
Upper Sandusky, Ohio 43351

We have reviewed the *Independent Auditor's Report* of Wyandot Memorial Hospital, Wyandot County, prepared by Blue & Co., LLC, for the audit period January 1, 2020 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Wyandot Memorial Hospital is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 04, 2021

This page intentionally left blank.

WYANDOT MEMORIAL HOSPITAL

TABLE OF CONTENTS DECEMBER 31, 2020 AND 2019

	Page
Report of Independent Auditors	1
Management’s Discussion and Analysis (unaudited).....	i-ix
Basic Financial Statements	
Statements of Net Position.....	4
Statements of Revenues, Expenses and Changes in Net Position.....	6
Statements of Cash Flows	7
Notes to Financial Statements	9
Required Supplementary Information	
Required Supplementary Information on GASB 68 Pension Assets, Pension Liabilities, and Pension Contributions (unaudited)	42
Required Supplementary Information on GASB 75 Other Postemployment Benefit Liabilities (Unaudited).....	43
Notes to Required Supplementary Information.....	44
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46
Schedule of Audit Findings and Responses	48

This page intentionally left blank.



Blue & Co., LLC / 9200 Worthington Road Suite 200 / Westerville, OH 43082
main 614.885.2583 website blueandco.com

REPORT OF INDEPENDENT AUDITORS

To the Board of Governors
Wyandot Memorial Hospital
Upper Sandusky, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Wyandot Memorial Hospital (the Hospital), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit involves obtaining audit evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Hospital's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimate, as well as our evaluation of the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to support our audit opinions.

To the Board of Governors
Wyandot Memorial Hospital
Upper Sandusky, Ohio

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Hospital as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Business Combination

As discussed in Note 2 to the financial statements, during 2020, the Hospital acquired Health Services of Wyandot County, Inc. In accordance with Government Accounting Standards Board's Statement No. 69, the acquisition constitutes a merger transaction. We did not modify our opinion regarding this matter.

Other Matters

Prior Period Financial Statements Audited by a Predecessor Auditor

The financial statements of the Hospital as of and for the year ended December 31, 2019 were audited by a predecessor auditor whose report dated June 1, 2020 expressed an unmodified opinion on those statements.

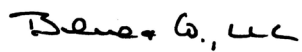
Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and the required supplemental information on Government Accounting Standards Board (GASB) 68 Pension Assets, Pension Liabilities, and Pension Contributions and GASB 75 Other Postemployment Benefit Liabilities and Contributions, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the GASB considers it essential for placing the basic financial statements in an appropriate operational, economic, and historic context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

To the Board of Governors
Wyandot Memorial Hospital
Upper Sandusky, Ohio

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2021, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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.



Westerville, Ohio
August 27, 2021

WYANDOT MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management's Discussion and Analysis

The discussion and analysis of Wyandot Memorial Hospital's (the Hospital) financial performance provides an overview of the Hospital's financial activities for the years ended December 31, 2020, 2019, and 2018. The discussion and analysis is based on Hospital only activity and does not include the Wyandot Health Foundation, Inc. activity. Please read in conjunction with the Hospital's financial statements, which begin on page 4.

Financial Highlights

- The Hospital received a \$3,960,000 loan through the Paycheck Protection Program (PPP) in 2020, which is included in current and long-term debt on the Statement of Net Position. The PPP loan was forgiven by the Small Business Association in 2021. The Hospital also received \$6,458,348, \$112,822, and \$5,762,400 in Medicare Accelerated Payments, Medical Mutual Accelerated Payments, and other stimulus funds, respectively, in 2020. Medicare Accelerated Payments and Medical Mutual Accelerated Payments are included in current and long-term deferred revenue on the Statement of Net Position. The Hospital met eligibility requirements to recognize \$2,619,206 of stimulus funds as nonoperating revenue in 2020. The remaining \$3,143,194 of proceeds from stimulus funds is included in the current portion of deferred revenue on the Statement of Net Position.
- The Hospital's current assets increased by \$22,401,683 or 64.0% in 2020 compared to a \$10,145,776 or 40.9% increase in 2019. The change in 2020 was due to Medicare and Medical Mutual advances of \$6,571,170, the PPP loan of \$3,960,000, and other stimulus funds received of \$5,762,400. The change in 2019 was due to an increase in cash, short-term investments, and accounts receivable.
- The Hospital's total liabilities increased \$9,703,072 or 17.3% in 2020 compared to a \$21,056,172 or 60.2% increase in 2019. The change in 2020 was due to Medicare and Medical Mutual advances of \$6,571,170, a PPP loan of \$3,960,000, and other stimulus funds received but not yet earned of \$2,910,510. These increases were partially offset by a decrease in the net pension liability of \$8,118,755. In 2019, the change was primarily due to an increase in the net pension and other postemployment benefit (OPEB) liability of \$14,247,743 and \$3,112,760, respectively.
- The Hospital's net position increased by \$667,655 in 2020 compared to a decrease of \$2,706,803 in 2019. The change between years was primarily related to a decrease of \$2,568,003 in employee benefits expense which was caused by a decrease in the expense required to be recognized between years related to the Ohio Public Employees Retirement System (OPERS) pension and OPEB plans.
- The decrease in the Hospital's total operating loss in 2020 of \$130,709 from 2019 is the result of a 2.6% increase in operating revenue of \$1,327,657 and a 2.2% increase in operating expenses of \$1,196,948.

WYANDOT MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Using This Annual Report

The Hospital's financial statements consist of three statements – Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; and Statements of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital.

Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These Statements include all restricted and unrestricted assets, all deferred outflows of resources, all liabilities, and all deferred inflows of resources using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and related changes. You can think of the Hospital's net position – the difference between assets and liabilities – as one way to measure the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall financial health of the Hospital.

Statements of Cash Flows

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, noncapital related financing and capital related financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?" and "What was the change in cash balance during the reporting period?"

Net Position

The Hospital's net position is the difference between its assets and deferred outflows of resources when compared to its liabilities and deferred inflows of resources reported in the Statements of Net Position on page 5. The Hospital's net position increased by \$667,655 in 2020.

WYANDOT MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Condensed Financial Information

The following is a comparative analysis of major components of the statements of net position of the Hospital as of December 31, 2020, 2019, and 2018:

	2020	2019	2018
Assets and Deferred Outflows of Resources			
Current assets	\$ 57,384,389	\$ 34,982,706	\$ 24,836,930
Assets limited as to use	7,304,409	9,858,948	8,841,222
Long-term investments	5,776,693	20,565,733	27,126,742
Capital assets, net	37,315,253	21,015,094	18,046,694
Net pension assets	149,474	80,173	102,804
Total assets	107,930,218	86,502,654	78,954,392
Deferred outflows of resources			
Pension	4,408,971	10,092,609	4,357,889
Other post-employment benefits	2,865,416	1,623,967	854,781
Total deferred outflows of resources	7,274,387	11,716,576	5,212,670
Total Assets and Deferred Outflows of Resources	\$ 115,204,605	\$ 98,219,230	\$ 84,167,062
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities	\$ 22,410,182	\$ 10,796,966	\$ 7,101,297
Noncurrent liabilities	43,328,198	45,238,342	27,877,839
Total liabilities	65,738,380	56,035,308	34,979,136
Deferred inflows of resources			
Pension	4,877,781	442,990	3,935,251
Other post-employment benefits	2,219,049	39,192	844,132
Total deferred inflows of resources	7,096,830	482,182	4,779,383
Net Position			
Net investment in capital assets	32,627,790	18,400,250	17,953,847
Restricted	5,360,150	9,019,416	8,034,965
Unrestricted	4,381,455	14,282,074	18,419,731
Total net position	42,369,395	41,701,740	44,408,543
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 115,204,605	\$ 98,219,230	\$ 84,167,062

A significant component of the Hospital's assets are capital assets. Capital assets, net, increased by \$16,300,159, or 77.6% in 2020. Capital assets acquired by the Hospital were \$19,276,818 in 2020. These additions were offset by depreciation and amortization of \$2,976,659. Capital assets, net, increased by \$2,968,400, or 16.4% in 2019. Fixed assets acquired by the Hospital were \$6,050,862 in 2019. These additions were offset by depreciation and amortization of \$3,082,462.

WYANDOT MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Operating Results and Changes in the Hospital's Net Position

The following is a comparative analysis of the statements of operations and changes in net position for the years ended December 31, 2020, 2019, and 2018:

	2020	2019	2018
Revenues			
Net patient service revenue	\$ 50,514,640	\$ 49,070,922	\$ 46,441,003
Other operating revenue	2,000,765	2,116,826	2,259,082
Total operating revenue	<u>52,515,405</u>	<u>51,187,748</u>	<u>48,700,085</u>
Expenses			
Salaries and wages	21,229,018	18,634,418	17,304,666
Employee benefits	8,991,100	11,559,103	7,573,458
Supplies and other expenses	13,237,618	12,138,414	12,140,179
Professional fees and services	9,908,490	9,879,580	9,023,778
Depreciation and amortization	2,976,659	3,082,462	2,438,206
Insurance	485,819	337,779	313,112
Total operating expenses	<u>56,828,704</u>	<u>55,631,756</u>	<u>48,793,399</u>
Operating loss	(4,313,299)	(4,444,008)	(93,314)
Nonoperating revenue and capital gifts	<u>4,980,954</u>	<u>1,737,205</u>	<u>2,164,029</u>
Increase (decrease) in net position	<u>667,655</u>	<u>(2,706,803)</u>	<u>2,070,715</u>
Net position, beginning of year	<u>41,701,740</u>	<u>44,408,543</u>	<u>42,337,828</u>
Net position, end of year	<u>\$ 42,369,395</u>	<u>\$ 41,701,740</u>	<u>\$ 44,408,543</u>

Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as inpatient services, outpatient services, physician offices, and the cafeteria.

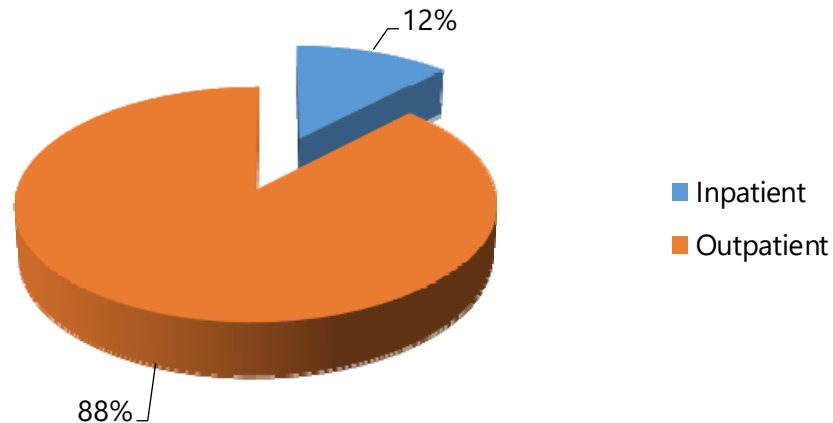
Operating revenue changes were a result of the following factors:

- Net patient service revenue increased \$1,443,718 or 2.9% from 2019 to 2020. This increase was primarily due to more intensive procedures performed in 2020 compared to 2019.
- Net patient service revenue increased \$2,629,919 or 5.6% from 2018 to 2019. This increase was primarily due to a 4.0% gross charge rate increase and 6.6% increase in surgery case volume.

WYANDOT MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The following is a graphic illustration of operating revenues by type:



Operating Expenses

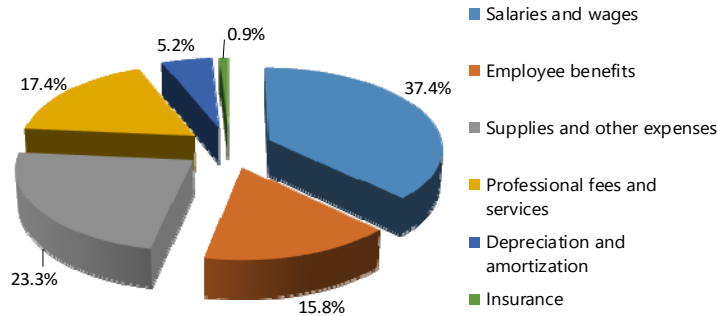
Operating expenses are all the costs necessary to perform and conduct the services and primary purposes of the Hospital. The significant operating expense changes were the result of the following factors:

- Salaries and wages increased \$2,594,600 or 13.9% from 2019 to 2020. The increase between years is due to the inclusion of \$981,274 in salaries from Health Services of Wyandot County, Inc., which was acquired by the Hospital in 2020. The Hospital also decreased contracted physicians by hiring physicians in-house during 2020 and 2019, which further resulted in increased salaries and wages. Salaries and wages increased \$1,329,752 or 7.7% from 2018 to 2019. The increase in salaries and wages between 2018 and 2019 was primarily due to a 2% increase in pay rates and several physicians hired in 2019.
- Employee benefits decreased \$2,568,003 or 22.2% from 2019 to 2020. This decrease was primarily related to decreased expenses associated with the OPERS pension and OPEB plans. Employee benefits increased \$3,985,645 or 52.6% from 2018 to 2019. This increase was primarily related to increased expenses associated with the OPERS plans.
- Supplies and other expenses increased \$1,099,204 or 9.1% from 2019 to 2020. This increase was primarily due to increased revenue and increased cost of supplies between years. Supplies and other expenses decreased less than \$2,000 from 2018 to 2019.

WYANDOT MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The following is a graphic illustration of operating expenses by type:



Sources of Revenue

The Hospital derives substantially all of its revenue from patient services and other related activities. Revenue includes, among other items, revenue from the Medicare and Medicaid programs, patients, insurance carriers, preferred provider organizations, and managed care programs.

The Hospital provides care to patients under payment arrangements with Medicare, Medicaid, and various managed care programs. Services provided under those arrangements are paid at predetermined rates and/or reimbursable costs as defined by the related Federal and State regulations. Provisions have been made in the financial statements for contractual adjustments, which represent the difference between the standard charges for services and the actual or estimated reimbursement.

Operating Loss

The first component of the overall change in the Hospital's net position is its operating income. Generally, operating loss is the difference between net patient service revenue and the expenses incurred to perform those services. The Hospital reported operating loss of \$4,313,299 in 2020, \$4,444,008 in 2019 and \$93,314 in 2018.

The decrease in the Hospital's total operating loss in 2020 of \$130,709 from 2019 is the result of a 2.6% increase in operating revenue of \$1327,657 and a 2.2% increase in operating expenses of \$1,196,948.

The increase in the Hospital's total operating loss in 2019 of \$4,350,694 from 2018 is the result of a \$3,559,322 increase in OPERS pension and OPEB expenses between years.

The Hospital provides care for patients who have little or no health insurance or other means of

WYANDOT MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

repayment. This service to the community is consistent with the goals of the Hospital when it was established. Because there is no expectation of repayment, charity care is not reported as patient service revenues of the Hospital and represents unreimbursed charges incurred by the Hospital in providing uncompensated care to indigent patients. Based on established rates, charges of \$1,340,641 were waived under the Hospital's charity care policy during 2020 as compared to \$1,103,415 in 2019.

Nonoperating Revenues (Expenses)

The Hospital's net investment income amounted to \$916,972 and \$851,160 in 2020 and 2019, respectively. The Hospital recognized contributions and grants of \$3,365,002 and \$886,045 in 2020 and 2019, respectively. The Hospital recognized a gain of \$1,443,501 related to the excess of assets over liabilities assumed in the Hospital's merger with Health Services of Wyandot County, Inc.

Statements of Cash Flows

The primary purpose of the statements of cash flows is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows helps assess:

- An entity's ability to generate future net cash flows
- Its ability to meet obligations as they come due
- Its need for financing

	2020	2019	2018
Cash provided by (used in):			
Operating activities	\$ 9,830,531	\$ 5,032,299	\$ 6,355,530
Non-capital financing activities	7,140,297	50,598	110,658
Capital and related financing activities	(16,450,751)	(2,693,418)	(432,380)
Investing activities	(3,859,000)	(949,392)	(5,173,218)
Net increase (decrease) in cash and cash equivalents	(3,338,923)	1,440,087	860,590
Cash - beginning of year	11,535,825	10,095,738	9,235,148
Cash - end of year	<u>\$ 8,196,902</u>	<u>\$ 11,535,825</u>	<u>\$ 10,095,738</u>

Capital Assets and Debt Administration

Capital Assets

WYANDOT MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Hospital had \$37,315,253 and \$21,015,094 invested in capital assets at December 31, 2020 and 2019, respectively. The Hospital acquired or constructed capital assets in the amount of \$19,276,818 and \$6,050,862 during 2020 and 2019, respectively.

Debt

The Hospital had \$3,960,000 and \$0 in debt as of December 31, 2020 and 2019, respectively. The Hospital's entire December 31, 2020 debt is comprised of proceeds received through the PPP loan. The PPP loan was forgiven in full by the Small Business Administration in 2021. The Hospital has no immediate intention of securing other forms of debt or entering capital lease agreements.

Other Economic Factors

The economic position of the Hospital is closely tied to that of the local industry, access to physicians and other medical services, and changing state and federal regulations.

The market area of the Hospital has a labor force of about 12,600 people with a pre-COVID unemployment rate of 3.1%. The largest employers in the county include Bridgestone APM, Kasai North America, and Kalmbach Feeds. The most recently available median household income for the Hospital's primary market is \$49,615, which is about \$7,000 less than the median household income for Ohio.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, fair value of investments, results of operations, and cash flows of the Hospital. The duration of these uncertainties along with the ultimate financial effects cannot be reasonably estimated at this time.

The Hospital continually works to maintain an appropriate number of physicians in the community to ensure that the medical needs of the public are met and to help maintain the financial viability of the Hospital. The physician practices started in 2011 continue to grow as they see additional patients. A new Emergency Department and expanded outpatient services were completed in 2012. In 2020, the Hospital acquired Health Services of Wyandot County, Inc. and invested in the new surgery center, which was completed in 2021.

Much of the Hospital reimbursement is limited by federal and state mandates. Effective March 2005, the Hospital obtained critical access status from the Medicare program. The Hospital is reimbursed the reasonable cost for Medicare services provided to beneficiaries. In 2019 and 2020 the hospital converted three provider-based practices into rural healthcare clinics.

The Hospital's current financial and capital plans indicate that the infusion of additional financial resources which will enable it to maintain its present level of service. In addition, the Board of Governors approved an average increase of 4 percent in the charge structure for 2021.

WYANDOT MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Contacting the Hospital's Financial Management

The financial report is intended to provide our member townships with a general overview of the Hospital's finances to show the Hospital's accountability for the funds over which it has stewardship. If you have questions about this report or need additional information, we welcome you to contact the chief financial officer at 885 N. Sandusky Avenue, Upper Sandusky, OH 43351.

Matt Mercer, RN, EA, BSA, CSAF, SSBPP
Vice President of Wyandot Memorial Hospital
Chief Financial Officer/Chief Nursing Officer

WYANDOT MEMORIAL HOSPITAL

STATEMENTS OF NET POSITION DECEMBER 31, 2020 AND 2019

	ASSETS			
	Wyandot Memorial Hospital		Component Unit Wyandot Health Foundation, Inc.	
	2020	2019	2020	2019
Assets and Deferred Outflows of Resources				
Current assets				
Cash and cash equivalents	\$ 8,196,902	\$ 11,535,825	\$ 401,443	\$ 473,285
Short-term investments	38,344,324	15,354,185	821,480	454,193
Patient accounts receivable, net of uncollectible accounts of approximately \$17,704,000 and \$9,841,000 in 2020 and 2019, respectively	8,787,266	6,206,020	-	-
Inventories	1,312,930	1,205,823	-	-
Prepaid expenses and other assets	742,967	680,853	73,727	73,727
Donations receivable from Wyandot Memorial Hospital	-	-	744,521	-
Total current assets	<u>57,384,389</u>	<u>34,982,706</u>	<u>2,041,171</u>	<u>1,001,205</u>
Assets limited as to use				
Board designated investments	2,093,733	919,705	-	-
Donor restricted investments	<u>5,210,676</u>	<u>8,939,243</u>	<u>202,830</u>	<u>-</u>
Total assets limited as to use	7,304,409	9,858,948	202,830	-
Long-term investments	5,776,693	20,565,733	453,685	691,676
Capital assets, net	37,315,253	21,015,094	-	-
Net pension assets	<u>149,474</u>	<u>80,173</u>	<u>-</u>	<u>-</u>
Total assets	107,930,218	86,502,654	2,697,686	1,692,881
Deferred outflows of resources				
Pension	4,408,971	10,092,609	-	-
Other post-employment benefits	<u>2,865,416</u>	<u>1,623,967</u>	<u>-</u>	<u>-</u>
Total outflows of resources	<u>7,274,387</u>	<u>11,716,576</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 115,204,605</u>	<u>\$ 98,219,230</u>	<u>\$ 2,697,686</u>	<u>\$ 1,692,881</u>

See accompanying notes to financial statements.

WYANDOT MEMORIAL HOSPITAL

STATEMENTS OF NET POSITION DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET POSITION

	Wyandot Memorial Hospital		Component Unit Wyandot Health Foundation, Inc.	
	2020	2019	2020	2019
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities				
Current portion of long-term debt	\$ 3,090,501	\$ -	\$ -	\$ -
Accounts payable	6,535,993	5,080,823	-	-
Accrued payroll and related liabilities	2,270,748	2,112,239	-	-
Estimated amounts due to third party payors	1,812,500	1,617,132	-	-
Accrued vacation and sick leave	2,189,182	1,646,772	-	-
Self-insurance liabilities	280,000	340,000	-	-
Deferred revenue	5,486,737	-	-	-
Donations payable to Wyandot Health Foundation, Inc.	744,521	-	-	-
Total current liabilities	22,410,182	10,796,966	-	-
Noncurrent liabilities, net of current portions				
Net pension liability	22,675,186	30,793,941	-	-
Net other post-employment benefits liability	15,555,886	14,444,401	-	-
Long-term debt	869,499	-	-	-
Deferred revenue	4,227,627	-	-	-
Total noncurrent liabilities	43,328,198	45,238,342	-	-
Total liabilities	65,738,380	56,035,308	-	-
Deferred inflows of resources				
Pensions	4,877,781	442,990	-	-
Other post-employment benefits	2,219,049	39,192	-	-
Total deferred inflows of resources	7,096,830	482,182	-	-
Net position				
Net investment in capital assets	32,627,790	18,400,250	-	-
Restricted, expendable for:				
Capital improvements	5,210,676	8,939,243	202,830	-
Pensions	149,474	80,173	-	-
Unrestricted	4,381,455	14,282,074	2,494,856	1,692,881
Total net position	42,369,395	41,701,740	2,697,686	1,692,881
Total liabilities, deferred inflows of resources and net position	\$ 115,204,605	\$ 98,219,230	\$ 2,697,686	\$ 1,692,881

See accompanying notes to financial statements.

WYANDOT MEMORIAL HOSPITAL

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2020 AND 2019

	Wyandot Memorial Hospital		Component Unit Wyandot Health Foundation, Inc.	
	2020	2019	2020	2019
Operating revenues				
Net patient service revenue	\$ 50,514,640	\$ 49,070,922	\$ -	\$ -
Other operating revenue	2,000,765	2,116,826	-	-
Total operating revenues	<u>52,515,405</u>	<u>51,187,748</u>	<u>-</u>	<u>-</u>
Operating expenses				
Salaries and wages	21,229,018	18,634,418	-	-
Employee benefits	8,991,100	11,559,103	-	-
Supplies and other expenses	13,237,618	12,138,414	71,799	73,783
Purchased services and professional fees	9,908,490	9,879,580	-	-
Depreciation and amortization	2,976,659	3,082,462	-	-
Insurance	485,819	337,779	-	-
Total operating expenses	<u>56,828,704</u>	<u>55,631,756</u>	<u>71,799</u>	<u>73,783</u>
Operating loss	(4,313,299)	(4,444,008)	(71,799)	(73,783)
Nonoperating revenues (expenses)				
Excess of assets over liabilities assumed in merger of Health Services of Wyandot County, Inc.	1,443,501	-	-	-
Donations to Wyandot Health Foundation, Inc.	(744,521)	-	-	-
Donations from Wyandot Memorial Hospital	-	-	744,521	-
Investment income	916,972	851,160	49,670	87,425
Noncapital grants and contributions	3,180,297	50,598	282,413	78,853
Total nonoperating revenues	<u>4,796,249</u>	<u>901,758</u>	<u>1,076,604</u>	<u>166,278</u>
Excess (deficiency) of revenues and expenses	482,950	(3,542,250)	1,004,805	92,495
Capital gifts	184,705	835,447	-	-
Increase (decrease) in net position	667,655	(2,706,803)	1,004,805	92,495
Net position, beginning of year	<u>41,701,740</u>	<u>44,408,543</u>	<u>1,692,881</u>	<u>1,600,386</u>
Net position, end of year	<u>\$ 42,369,395</u>	<u>\$ 41,701,740</u>	<u>\$ 2,697,686</u>	<u>\$ 1,692,881</u>

See accompanying notes to financial statements.

WYANDOT MEMORIAL HOSPITAL

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	Wyandot Memorial Hospital		Component Unit Wyandot Health Foundation, Inc.	
	2020	2019	2020	2019
		2020	2019	2020
Cash flows from operating activities				
Cash received from patients and third party payors	\$ 57,800,364	\$ 47,776,073	\$ -	\$ -
Cash paid to employees for wages and benefits	(25,656,607)	(22,884,779)	-	-
Cash paid to vendors for goods and services	(24,313,991)	(21,975,821)	(71,799)	(73,783)
Other receipts, net	2,000,765	2,116,826	-	-
Net cash provided by (used in) operating activities	<u>9,830,531</u>	<u>5,032,299</u>	<u>(71,799)</u>	<u>(73,783)</u>
Cash flows from noncapital financing activities				
Noncapital grants and gifts	3,180,297	50,598	282,413	78,853
Paycheck Protection Program loan	3,960,000	-	-	-
Net cash provided by noncapital financing activities	<u>7,140,297</u>	<u>50,598</u>	<u>282,413</u>	<u>78,853</u>
Cash flows from capital and related financing activities				
Contributions for acquisition of property and equipment	184,705	835,447	-	-
Purchase of capital assets, net of proceeds on disposals	(16,635,456)	(3,528,865)	-	-
Net cash used in capital and related financing activities	<u>(16,450,751)</u>	<u>(2,693,418)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Income on investments	916,972	851,160	49,670	87,425
Net cash and investments acquired in merger with Health Services of Wyandot County, Inc.	870,588	-	-	-
Net change in assets limited as to use and investments	(5,646,560)	(1,800,552)	(332,126)	(94,263)
Net cash provided by (used in) investing activities	<u>(3,859,000)</u>	<u>(949,392)</u>	<u>(282,456)</u>	<u>(6,838)</u>
Net increase (decrease) in cash and cash equivalents	(3,338,923)	1,440,087	(71,842)	(1,768)
Cash and cash equivalents:				
Beginning of year	<u>11,535,825</u>	<u>10,095,738</u>	<u>473,285</u>	<u>475,053</u>
End of year	<u>\$ 8,196,902</u>	<u>\$ 11,535,825</u>	<u>\$ 401,443</u>	<u>\$ 473,285</u>

See accompanying notes to financial statements.

WYANDOT MEMORIAL HOSPITAL

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	Wyandot Memorial Hospital		Component Unit Wyandot Health Foundation, Inc.	
	2020	2019	2020	2019
Reconciliation of operating loss to net cash provided by (used in) operating activities				
Operating loss	\$ (4,313,299)	\$ (4,444,008)	\$ (71,799)	\$ (73,783)
Depreciation and amortization	2,976,659	3,082,462	-	-
Provision for uncollectible accounts	3,698,882	1,437,001	-	-
Changes in operating assets and liabilities, net of effect of merger with Health Services of Wyandot County, Inc.				
Patient accounts receivable	(6,127,522)	(2,512,539)	-	-
Inventories	(107,107)	(209,946)	-	-
Prepaid expenses and other assets	(104,196)	(76,370)	-	-
Accounts payable	(666,129)	666,268	-	-
Net pension asset and liability	(8,188,056)	14,270,374	-	-
Net other post-employment benefits liability	1,111,485	3,112,760	-	-
Deferred outflows of resources - pensions	5,683,638	(5,734,720)	-	-
Deferred outflows of resources - other post-employment benefits	(1,241,449)	(769,186)	-	-
Deferred inflow of resources - pensions	4,434,791	(3,492,261)	-	-
Deferred inflows of resources - other post-employment benefits	2,179,857	(804,940)	-	-
Self-insurance liabilities	(60,000)	80,000	-	-
Accrued payroll and related liabilities	100,835	462,788	-	-
Accrued vacation and sick leave	542,410	183,927	-	-
Estimated amounts due to third-party payors	195,368	(219,311)	-	-
Deferred revenue	9,714,364	-	-	-
Net cash provided by operating activities	<u>\$ 9,830,531</u>	<u>\$ 5,032,299</u>	<u>\$ (71,799)</u>	<u>\$ (73,783)</u>
Supplemental disclosure of noncash capital and related financing activities				
Capital asset acquisitions included in accounts payable	\$ 4,687,463	\$ 2,614,844	\$ -	\$ -
Net assets and liabilities assumed in merger with Health Services of Wyandot County, Inc.	\$ 1,443,501	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

The accompanying financial statements include the accounts of Wyandot Memorial Hospital and Wyandot Health Foundation, Inc. (collectively, Organization).

Wyandot Memorial Hospital (Hospital), as the primary government and business-type activity, is an acute-care hospital organized in 1950 by residents of Salem, Pitt, Crane and Mifflin Townships. The Hospital is located in Upper Sandusky, Ohio and is operated by a joint township Board of Directors made up of 12 members. This Board elects one member for the Board of Governors from each township and three members are elected at large from the district, of which one should be a medical doctor. The Board of Governors consists of a total of seven members who oversee the daily operations of the Hospital. The Hospital was formed under the provisions of the Ohio Revised Code.

Wyandot Health Foundation, Inc. (Foundation) was established on June 10, 1985, per authority of the Ohio Revised Code. The Foundation is a legally separate, tax-exempt entity that raises funds on behalf of the Hospital. The Foundation is not a part of the primary government of the Hospital but, due to its relationship with the Hospital, it is discretely presented as a component unit within the Hospital's financial statements. The Board of the Foundation is self-perpetuating.

Although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the Hospital. Because these restricted resources held by the Foundation can only be used by or for the benefit of the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements.

Basis of Presentation

The financial statements of the Hospital have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The Hospital follows the "business-type" activities reporting requirements of GASB Statement No. 34 that provide a comprehensive look at the Hospital's financial activities. The financial statements include the Foundation as a discretely presented component unit in the financial statements.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Use of Estimates

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

Proprietary Fund Accounting

The Organization utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the full accrual basis. Substantially all revenue and expenses are subject to accrual.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments purchased with an original maturity of three months or less. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market accounts.

Inventories

Inventories, consisting primarily of medical supplies and drugs, are valued at the lower of cost, determined using the first-in, first-out method, or market.

Investments, Assets Limited as to Use and Investment Income

Investments and assets limited as to use consist of mutual funds, certificates of deposit (stated at cost plus accrued interest, which approximates market value), money market accounts, and government bonds (stated at market value).

Assets limited as to use consist of (1) funds designated by the Board of Governors for future capital improvements over which the Board of Governors retains control and may at its discretion subsequently use for other purposes and (2) assets externally restricted by donors for capital improvements.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

The Organization holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements

Capital Assets

Purchased or constructed capital assets are reported at historical costs. Contributed capital assets are recorded at their estimated fair value at the time of their donation. Expenditures for capital assets must exceed \$5,000 in order for them to be capitalized. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. All capital assets other than land are depreciated or amortized using the straight-line method of depreciation using these useful lives:

Buildings and building improvements	15 to 40 years
Fixed equipment	5 to 20 years
Major moveable equipment	3 to 25 years
Land improvements	5 to 25 years

Depreciation expense is included in depreciation and amortization in the statements of revenues, expenses and changes in net position. The asset and accumulated depreciation are removed from the related accounts when the asset is disposed. Any gain or loss resulting from this disposal is recorded in the statements of revenues, expenses and changes in net position.

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ending December 31, 2020 and 2019.

Deferred Outflows of Resources

The Hospital reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Compensated Absences

The Hospital's employees earn vacation time at varying rates depending on years of service. Employees may accumulate vacation time, up to 600 hours, to be carried over to the subsequent year. Employees may accumulate holiday time, up to 128 hours, to be carried over to the subsequent year. The Hospital's employees also earn sick leave of 80 hours on an annual basis regardless of years of service. Upon retirement, employees with a minimum of 5 years of service have sick leave balances paid out at 25% of eligible hours at their current rate of pay. The maximum payout is 1,440 hours. As of December 2020 and 2019, the liability for accrued vacation and sick leave was \$2,189,182 and \$1,646,772, respectively.

Cost-Sharing Multiple-Employer Defined Benefit Pension Plans

The Hospital participates in two cost-sharing multiple-employer defined benefit pension plans administered by the Ohio Public Employees Retirement System (OPERS), the Traditional Pension Plan and the Combined Plan (Plans). For purposes of measuring the net pension liability and net pension asset, deferred outflows of resources and deferred inflows of resources related to the pensions and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. 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.

Cost-Sharing Defined Benefit Other Postemployment Benefit Plan

The Hospital participates in a cost-sharing multiple-employer defined benefit other postemployment benefit plan (OPEB) administered by OPERS. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

The Hospital reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its statement of net position.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Net Position

The net position of the Organization is classified in three components: (1) Net invested in capital assets consist of capital assets net of accumulated depreciation and is reduced by the current balance of any outstanding borrowings used to finance the purchase or construction of those assets; (2) Restricted expendable net position are assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Organization; (3) Unrestricted net position is remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

Restricted Resources

When the Organization has both restricted and unrestricted resources available to finance a particular program, it is the Organization's policy to use restricted resources before unrestricted resources.

Patient Accounts Receivable and Net Patient Service Revenue

The Hospital recognizes net patient service revenues on the accrual basis of accounting in the reporting period in which services are performed based on the current gross charge structure, less actual adjustments and estimated discounts for contractual allowances, principally for patients covered by Medicare, Medicaid, managed care and other health plans. The Hospital is designated as a critical access facility by the Medicare program. As a result, Medicare inpatient and outpatient services are reimbursed at the approximate cost plus 1% of providing those services subject to the federal sequestration provisions. Payment for the majority of Medicaid inpatient and outpatient services is based on a prospectively determined fixed price. Gross patient service revenue is recorded in the accounting records using the established rates for the type of service provided to the patient. The Hospital recognizes an estimated contractual allowance to reduce gross patient charges to the estimated net realizable amount for services rendered based upon previously agreed-to rates with a payor. The Hospital utilizes the patient accounting system to calculate contractual allowances on a payor-by-payor basis based on the rates in effect for each primary third-party payor. Another factor that is considered and could further influence the level of the contractual reserves includes the status of accounts receivable balances as inpatient or outpatient. The Hospital's management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms that result from contract renegotiations and renewals.

Payors include federal and state agencies, including Medicare, Medicaid, managed care health plans, commercial insurance companies, employers, and patients. These third-party payors provide payments to the Hospital at amounts different from its established rates based on negotiated reimbursement agreements. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and fee schedule payments. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

The Hospital estimates an allowance for doubtful accounts based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital.

Grants and Contributions

From time to time, the Organization receives grants and contributions from governmental organizations, private individuals, and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported as other changes in net position.

Statements of Revenues, Expenses, and Changes in Net Position

The Hospital recognizes as operating revenues those transactions that are major or central to the provision of health care services. Operating revenues include those revenues received for direct patient care, grants received from organizations as reimbursement for patient care, and other incidental revenue associated with patient care. Operating expenses include those costs associated with providing patient care including costs of professional services, operating the hospital facilities, administrative expenses, and depreciation and amortization. Nonoperating revenues include investment income (losses) and grants and contributions received for purposes other than capital asset acquisition.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Of the Hospital's total operating expenses (approximately \$56,829,000 and \$55,632,000 during 2020 and 2019), an estimated \$688,000 and \$580,000 arose from providing services to charity patients during 2020 and 2019, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses divided by gross patient service revenue. The Hospital participates in the Hospital Care Assurance Program (HCAP), which provides for additional payments to hospitals that provide a disproportionate share of uncompensated services to the indigent and uninsured. Net amounts recognized through this program totaled a gain of \$15,550 and a loss of \$122,244 for 2020 and 2019, respectively, and are reported as net patient service revenue in the financial statements.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Risk Management

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

The Hospital is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred, but not yet reported.

Income Taxes

As an instrumentality of a political subdivision of the state of Ohio, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

The Foundation is exempt under Section 501(c) as an organization described in Section 501(c)(3) of the Internal Revenue Code.

For the years ending December 31, 2020 and 2019, the entities did not report any unrelated business income.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation. The reclassifications had no effect on the changes in net position.

Subsequent Events

The Hospital has evaluated subsequent events through August 27, 2021, the date the financial statements were available to be issued.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

2. CONTINUING GOVERNMENT MERGER

On November 15, 2020, the Hospital acquired Health Services of Wyandot County, Inc (Health Services) through an asset purchase agreement. As no significant consideration was exchanged, this acquisition is accounted for as a merger. As part of the transaction, Health Services committed to contributing all cash and investments held as of the acquisition date to the Foundation. This amount totaled \$744,521 and is recorded as a donation payable to the Foundation on the statement of net position as of December 31, 2020. The Hospital acquired the remaining assets of Health Services in exchange for the forgiveness of approximately \$42,000 in outstanding debt and \$1. Upon acquisition, the Health Services corporation and board of directors dissolved.

In accordance with GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, this transaction is a continuing government merger, which is required to be accounted for as of the beginning of the fiscal year; therefore, the full year of activity of Health Services is included in the Hospital's financial statements for 2020. The Hospital recorded the net book value of the assets of acquired of \$1,591,938 and liabilities assumed of \$106,354. The net book value of net assets acquired less consideration paid and forgiven was recognized in the Statements of Revenues, Expenses, and Changes in Net Position as nonoperating income of \$1,443,501.

The following details the transaction:

Fair value of assets acquired	
Cash and cash equivalents	\$ 157,044
Patient accounts receivable	152,606
Investments	713,545
Property and equipment, net	568,743
Total assets acquired	<u>1,591,938</u>
Liabilities assumed	
Accounts payable	48,680
Accrued liabilities	57,674
Total liabilities assumed	<u>106,354</u>
Debt forgiven by Hospital as part of acquisition	42,082
Consideration paid by Hospital for acquisition	<u>1</u>
Excess of assets over liabilities assumed in acquisition of Health Services	<u><u>\$ 1,443,501</u></u>

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

3. DEPOSITS AND INVESTMENTS

Chapter 135 of the Ohio Uniform Depositor Act authorizes local and governmental units to make deposits in any national bank located in the state subject to inspection by the superintendent of financial institutions eligible to become a public depository. Section 135.14 of the Ohio Revised Code allows the local government to invest in United States treasury bills, notes, bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States of America and bonds and other obligations of the State of Ohio. Investments in no-load money market mutual funds, repurchase agreements, commercial paper, and bankers' acceptances are permitted subject to certain limitations that include completion of additional training, approved by the Auditor of State, or by the treasurer or governing board investing in these instruments.

Deposits

State law requires insurance or collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits might not be recovered. Through December 31, 2020, FDIC (Federal Deposit Insurance Corporation) insurance for funds held in interest bearing accounts is \$250,000 per depositor per category of legal ownership. Ohio Revised Code requires that deposits in excess of FDIC insured amounts are collateralized. The Hospital's investment policy does not address custodial credit risk, but the Hospital believes that the depository banks carry sufficient collateral to cover the total amount of public funds on deposit with the bank (after FDIC coverage) and that the Hospital is in compliance with the requirements specified in the Ohio Revised Code.

The bank balances of the Hospital's deposits at December 31, 2020 and 2019 totaled \$59,622,328 and \$57,314,691, respectively, and were subject to the following categories of custodial credit risk:

	2020	2019
Collateral held by the counterparty's agent but not in the name of the Hospital	\$ 26,851,517	\$ 41,990,691
Amount insured	32,770,811	15,324,000
Total bank balances	<u>\$ 59,622,328</u>	<u>\$ 57,314,691</u>

At December 31, 2020 and 2019, the Hospital held mutual funds, common stock and government agency bonds totaling \$161,969 and \$1,070, respectively, that were uninsured and uncollateralized. These investments were acquired as part of the merger with Health Services in November 2020.

At December 31, 2020 and 2019, the Foundation held mutual funds and certificates of deposit totaling \$511,035 and \$252,453, respectively, that were uninsured and uncollateralized.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Organization has an investment policy that meets the compliance requirements of state law. The investment policy guides the investment of funds in order to mitigate risk and generate investment income while preserving and maintaining sufficient liquidity to meet the objectives of the Organization

Credit Risk

The Organization's investment policy addresses credit risk and meets the compliance requirements of the provisions of state law. The Organization did not hold debt securities as of December 31, 2020. At the end 2019, the credit quality ratings of debt securities held at the Foundation were as follows:

	Fair Value	Rating	Rating Organization
December 31, 2019			
U.S. government agency bonds	\$ 1,070	AA+	Standard & Poor's

Summary of Carrying Values

The carrying values of deposits and investments of the Organization are included in the statements of net position at December 31, 2020 and 2019, as follows:

	2020	2019
Carrying value:		
Deposits:		
Cash and cash equivalents	\$ 31,319,910	\$ 12,009,110
Certificates of deposit	29,510,063	46,671,212
Investments		
U.S. Government agency bonds	-	1,070
Mutual funds	639,464	252,453
Common stocks	32,329	-
Total	\$ 61,501,766	\$ 58,933,845
Included in the following statements of net position captions		
Hospital:		
Cash and cash equivalents	\$ 8,196,902	\$ 11,535,825
Short-term investments	38,344,324	15,354,185
Assets limited as to use - board designated	2,093,733	919,705
Assets limited as to use - donor restricted	5,210,676	8,939,243
Long-term investments	5,776,693	20,565,733
Foundation:		
Cash and cash equivalents	401,443	473,285
Short-term investments	821,480	454,193
Assets limited as to use - donor restricted	202,830	-
Long-term investments	453,685	691,676
Total	\$ 61,501,766	\$ 58,933,845

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of investments in any issuer. This does not apply to obligations and agencies of the United States Treasury which are deemed to be "risk-free". The Hospital's investment policy requires that the portfolio be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security. The Organization believes that it is not exposed to any significant credit risk on investments.

Investment Income

The Organization's investment income for the year ended December 31 consisted of the following:

	2020	2019
Hospital		
Interest and dividend income	\$ 863,905	\$ 851,160
Net unrealized/realized gains	53,067	-
Total investment income	<u>\$ 916,972</u>	<u>\$ 851,160</u>
Foundation		
Interest and dividend income	\$ 42,708	\$ 41,642
Net unrealized/realized gains	6,962	45,783
Total investment income	<u>\$ 49,670</u>	<u>\$ 87,425</u>

4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital and Foundation have the ability to access.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

- Money markets – Valued based at the subscription and redemption activity at a \$1 stable net asset value (NAV). However, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.
- U.S. government agency bonds: Valued using pricing models maximizing the use of observable inputs for similar securities.
- Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the Hospital's assets at fair value as of December 31, 2020 and 2019. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

	2020			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 129,640	\$ -	\$ -	\$ 129,640
Common stocks	32,329	-	-	32,329
	\$ 161,969	\$ -	\$ -	\$ 161,969
Certificates of deposit				28,541,892
Cash				22,721,565
Total investments and assets limited as to use				\$ 51,425,426

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

	2019			
	Level 1	Level 2	Level 3	Total
U.S. government agency bonds	\$ -	\$ 1,070	\$ -	\$ 1,070
	\$ -	\$ 1,070	\$ -	\$ 1,070
Certificates of deposit				45,777,796
Total investments and assets limited as to use				\$ 45,778,866

Foundation assets measured at fair value on a recurring basis as of December 31, 2020 and 2019 are as follows:

	2020			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Foreign large blend	\$ 80,747	\$ -	\$ -	\$ 80,747
Large value	286,541	-	-	286,541
Mid-cap growth	142,536	-	-	142,536
	\$ 509,824	\$ -	\$ -	509,824
Certificates of deposit				968,171
Total investments and assets limited as to use				\$ 1,477,995

	2019			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Foreign large blend	\$ 78,189	\$ -	\$ -	\$ 78,189
Large value	174,264	-	-	174,264
	\$ 252,453	\$ -	\$ -	252,453
Certificates of deposit				893,416
Total investments and assets limited as to use				\$ 1,145,869

The Hospital's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels during 2020 and 2019.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

5. CAPITAL ASSETS

The Hospital's capital asset additions, transfers, retirements, and balances as of and for the years ended December 31, were as follows:

	2020				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated:					
Land	\$ 190,310	\$ -	\$ -	\$ -	\$ 190,310
Construction in process	1,355,311	18,126,683	(2,913,885)	-	16,568,109
Total non-depreciable capital assets	1,545,621	18,126,683	(2,913,885)	-	16,758,419
Depreciable capital assets:					
Land improvements	1,340,858	-	-	-	1,340,858
Buildings and improvements	23,972,725	654,459	-	-	24,627,184
Equipment	21,584,323	495,676	2,913,885	-	24,993,884
Total depreciable capital assets	46,897,906	1,150,135	2,913,885	-	50,961,926
Less accumulated depreciation:					
Land improvements	817,698	66,331	-	-	884,029
Buildings and improvements	11,910,629	908,988	-	-	12,819,617
Equipment	14,700,106	2,001,340	-	-	16,701,446
Total accumulated depreciation	27,428,433	2,976,659	-	-	30,405,092
Total depreciable capital assets, net	19,469,473	(1,826,524)	2,913,885	-	20,556,834
Total capital assets, net	<u>\$ 21,015,094</u>	<u>\$ 16,300,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,315,253</u>
2019					
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated:					
Land	\$ 148,000	\$ 42,310	\$ -	\$ -	\$ 190,310
Construction in process	-	1,355,311	-	-	1,355,311
Total non-depreciable capital assets	148,000	1,397,621	-	-	1,545,621
Depreciable capital assets:					
Land improvements	1,383,858	-	-	(43,000)	1,340,858
Buildings and improvements	23,478,667	1,085,963	-	(591,905)	23,972,725
Equipment	19,475,087	3,567,278	-	(1,458,042)	21,584,323
Total depreciable capital assets	44,337,612	4,653,241	-	(2,092,947)	46,897,906
Less accumulated depreciation:					
Land improvements	741,484	119,214	-	(43,000)	817,698
Buildings and improvements	11,156,951	1,338,099	-	(584,421)	11,910,629
Equipment	14,540,483	1,625,149	-	(1,465,526)	14,700,106
Total accumulated depreciation	26,438,918	3,082,462	-	(2,092,947)	27,428,433
Total depreciable capital assets, net	17,898,694	1,570,779	-	-	19,469,473
Total capital assets, net	<u>\$ 18,046,694</u>	<u>\$ 2,968,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,015,094</u>

Total depreciation and amortization expense related to the Hospital's capital assets for 2020 and 2019 was \$2,976,659 and \$3,082,462, respectively.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

6. DEBT

Information regarding the Hospital's long-term debt as of and for the year ended December 31, is as follows:

	2020				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
Direct borrowings:					
Paycheck Protection Program	\$ -	\$ 3,960,000	\$ -	\$ 3,960,000	\$ 3,090,501
Total debt	\$ -	\$ 3,960,000	\$ -	\$ 3,960,000	\$ 3,090,501

As part of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, certain businesses were eligible to receive a loan from the Small Business Association (SBA) through the Paycheck Protection Program (PPP) under CFDA #59.073. The PPP loan is unsecured, bears interest at 1%, and funds advanced under the program are subject to forgiveness if certain criteria is met. The PPP loans may be forgivable to the extent that the employer incurs and spends the funds on qualified expenditures, which include payroll, employee health insurance, rent utilities, and interest costs during the covered period as defined by the PPP guidance. In addition, employers must maintain specified employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for loan forgiveness. Monthly principal and interest payments of \$222,857 were to begin on November 24, 2020 with a maturity date of April 24, 2022. As of December 31, 2020, no payments have been made. The Hospital has accounted for these loans as debt and will recognize any forgiveness as nonoperating income when it is legally forgiven by the SBA. The Hospital applied for forgiveness of the PPP loan and received notification from the SBA that the PPP loan was forgiven in full in 2021.

Long-term debt obligation payment requirements for fiscal years subsequent to December 31, 2020, are as follows:

	Principal	Interest	Total
2021	\$ 3,090,501	\$ 29,495	\$ 3,119,996
2020	869,499	1,787	871,286
	\$ 3,960,000	\$ 31,282	\$ 3,991,282

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

7. PATIENT ACCOUNTS RECEIVABLE

The details of patient accounts receivable are set forth below:

	2020	2019
Gross patient accounts receivable	\$ 26,491,022	\$ 16,047,159
Less allowance for:		
Uncollectible accounts	(4,208,040)	(1,814,109)
Contractual adjustments	(13,495,716)	(8,027,030)
Net patient accounts receivable	\$ 8,787,266	\$ 6,206,020

The Hospital provides services without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of net receivables and gross revenues from patients and third-party payors was as follows:

	2020		2019	
	Accounts	Gross	Accounts	Gross
	Receivable	Revenue	Receivable	Revenue
Medicare	41%	56%	41%	55%
Medicaid	10%	9%	10%	9%
Commercial	32%	32%	30%	33%
Self-pay	17%	3%	19%	3%
	100%	100%	100%	100%

8. ESTIMATED AMOUNTS DUE FROM THIRD-PARTY PAYORS

The Hospital has agreements with third-party payors that provide for payment to the Hospital at amounts different from its established rates. The Hospital is designated as a Critical Access Hospital (CAH) under the Medicare and Medicaid programs. CAHs receive payments on a reasonable cost basis, for inpatient and most outpatient services to eligible Medicare patients. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- Medicare: In March 2005, the Hospital became a Critical Access Hospital. After March 2005, inpatient services and most outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. Other outpatient services are reimbursed based on fee schedules.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

- The Hospital and the Hospital's swing beds are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.
- Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge. Medicaid outpatient services are reimbursed based upon the lesser of the Hospital's charge or predetermined fee schedule amounts. Capital related expenditures are subject to annual cost report settlement.
- Other Payors: The Hospital has entered into agreements with certain commercial carriers. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods, as final settlements are determined. Management has determined that there was \$1,812,500 and \$1,617,132 due from third party payors as of December 31, 2020 and 2019, respectively. There is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Differences between the estimated amounts accrued at interim and final settlements are reported in the statement of revenues, expenses and changes in net position in the year of settlement. Medicare cost reports have been final settled through 2015.

9. NET PATIENT SERVICE REVENUES

Net patient service revenue consists of the following:

	2020	2019
Revenue:		
Inpatient	\$ 13,452,607	\$ 15,202,309
Outpatient	97,331,724	90,655,512
Total patient revenue	<u>110,784,331</u>	<u>105,857,821</u>
Revenue deductions:		
Contractual allowances	55,230,168	54,246,483
Provision for bad debts	3,698,882	1,437,001
Charity care	1,340,641	1,103,415
Total deductions	<u>60,269,691</u>	<u>56,786,899</u>
Total net patient service revenue	<u>\$ 50,514,640</u>	<u>\$ 49,070,922</u>

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

10. OTHER LIABILITIES

Medical Malpractice

For medical malpractice, the Hospital has professional liability insurance with a commercial carrier. Coverage is \$1,000,000 per occurrence and \$3,000,000 in the annual aggregate. The Hospital's coverage is on a claims made basis. Settled claims for medical malpractice have not exceeded insurance coverage in any of the past five years. Losses from asserted and unasserted claims identified under the Hospital's incident reporting systems are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. There is no liability for medical malpractice at December 31, 2020 and 2019.

Employee Health Insurance

The Hospital provides health insurance to participating employees under a plan that is partially self-insured. The plan is covered by a stop-loss policy that covers specific items over \$500,000. An estimate of incurred but unpaid claims has been determined as of December 31, 2020 and 2019 based on historical experience. The liability for estimated self-insured employee health claims includes estimates of the ultimate costs for both reported claims and incurred but not reported claims. Activity and balances as of and for the years ended December 31, 2020 and 2019 are as follows:

	Beginning Liability	Claims Incurred	Claims Paid	Ending Liability
2019	\$ 260,000	\$ 2,318,516	\$ 2,238,516	\$ 340,000
2020	\$ 340,000	\$ 2,417,461	\$ 2,477,461	\$ 280,000

11. RETIREMENT PLANS

The Hospital is a participating employer contributing to the OPERS, which administers two cost sharing multiple employer defined benefit pension plans, and one defined contribution pension plan.

- 1) The Traditional Pension Plan – a cost sharing multiple-employer defined benefit pension plan.
- 2) The Combined Plan – a cost sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan, a defined contribution pension plan discussed in greater detail under "Defined Contribution Plan" in this footnote.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Please see the Plan Statement in the OPERS 2019 Comprehensive Annual Financial Report for details.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Retirement Plans

In accordance with GASB Statement No. 68, employers participating in cost-sharing multiple employer plans are required to recognize a proportionate share of the collective net pension liabilities of the plans. Although changes in the net pension liabilities and assets generally are recognized as expense in the current period, certain items are deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 2 to 11 years).

The collective net pension asset and liability of the retirement systems (GASB 68) and the Hospital's proportionate share of the net pension asset and liability as of December 31 are as follows:

Traditional Pension Plan	2020	2019
Net pension liability - all employers	\$ 19,765,678,367	\$ 27,387,972,593
Proportion of the net pension liability - Hospital	0.11472%	0.11244%
	<u>\$ 22,675,186</u>	<u>\$ 30,793,941</u>
Combined Plan	2020	2019
Net pension asset - all employers	\$ 208,524,069	\$ 111,822,469
Proportion of the net pension asset - Hospital	0.07168%	0.07170%
	<u>\$ 149,474</u>	<u>\$ 80,173</u>

The decrease in pension liability is due to actual earnings on investments being more than projected earnings on investments.

Pension expense for the years ending December 31, 2020 and 2019, was \$4,577,317 and \$7,512,908, respectively.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

	2020					
	Traditional Plan		Combined Plan		Total Defined Benefit Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 286,695	\$ -	\$ 35,092	\$ -	\$ 321,787
Net difference between projected and actual earnings on pension plan assets	-	4,523,190	-	19,387	-	4,542,577
Assumption changes	1,211,120	-	15,412	-	1,226,532	-
Change in proportionate share	677,005	-	2,585	7,996	679,590	7,996
Difference between Hospital contributions and proportionate share of contributions	-	4,640	-	781	-	5,421
Hospital contributions subsequent to the measurement date	2,443,451	-	59,398	-	2,502,849	-
Total	\$ 4,331,576	\$ 4,814,525	\$ 77,395	\$ 63,256	\$ 4,408,971	\$ 4,877,781

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

	2019					
	Traditional Plan		Combined Plan		Total Defined Benefit Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,421	\$ 404,342	\$ -	\$ 32,745	\$ 1,421	\$ 437,087
Net difference between projected and actual earnings on pension plan assets	4,179,600	-	17,271	-	4,196,871	-
Assumption changes	2,680,688	-	17,906	-	2,698,594	-
Change in proportionate share	890,612	-	-	5,903	890,612	5,903
Hospital contributions subsequent to the measurement date	2,260,438	-	44,673	-	2,305,111	-
Total	\$ 10,012,759	\$ 404,342	\$ 79,850	\$ 38,648	\$ 10,092,609	\$ 442,990

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending December 31 as follows:

	Traditional Plan	Combined Plan	Total Defined Benefit Plans
2021	\$ (36,745)	\$ 12,796	\$ (23,949)
2022	1,354,445	9,787	1,364,232
2023	(187,304)	4,381	(182,923)
2024	1,796,004	11,479	1,807,483
2025	-	2,651	2,651
Thereafter	-	4,165	4,165
Total	\$ 2,926,400	\$ 45,259	\$ 2,971,659

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Statutory Authority

Ohio Revised Code (ORC) Chapter 145

Benefit Formula

Pensions: Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

Contribution Rates

The ORC provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of earnable salary of active members. In 2020 and 2019, State and Local employers contributed a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during calendar year 2020. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2020 remained consistent at 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2020 and 2019 was 4%.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Cost-of-Living Adjustments

Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual cost-of-living adjustment is provided on the member's base pension benefit at the date of retirement and is not compounded. For those members retiring under the Combined Plan, they will receive a 3% cost-of-living adjustment for the defined benefit portion of their pension benefit. Current law provides for a 3% cost-of-living adjustment for benefit recipients retiring prior to January 7, 2013. For those benefit recipients retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the cost-of-living adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Measurement Date

December 31, 2019

Actuarial Assumptions

Valuation Date: December 31, 2019

Actuarial Cost Method: Individual entry age

Investment Rate of Return: 7.20%

Inflation: 3.25%

Projected Salary Increases: 3.25% - 10.75%

Cost-of-Living Adjustments: 3.00% Simple – for those retiring after January 7, 2013, 1.40%

Simple through 2020, then 2.15% Simple

Date of Last Experience Study

December 31, 2015

Mortality Rates

Mortality rates are based on the RP-2014 Health Annuitant mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base on 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base of 2006 and then established the base year as 2010. The mortality tables, used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 mortality improvement scale.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Investment Return Assumptions

The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return 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, adjusted for inflation.

The following table displays the Board-approved asset allocation policy for defined benefit pension assets for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return *
Fixed Income	25%	1.8%
Domestic Equity	19%	5.8%
Real Estate	10%	5.2%
Private Equity	12%	10.7%
International Equity	21%	7.7%
Other Investments	13%	5.0%
Total	<u>100%</u>	

* Returns presented as arithmetic means

Discount Rate

The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in Discount Rate

1% Decrease	Current Rate	1% Increase
(6.20%)	(7.20%)	(8.20%)
<u>\$ 37,398,720</u>	<u>\$ 22,675,186</u>	<u>\$ 9,439,162</u>

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Sensitivity of Net Pension Asset to Changes in Discount Rate

1% Decrease (6.20%)	Current Rate (7.20%)	1% Increase (8.20%)
\$ 90,319	\$ 149,474	\$ 192,108

The amount of contributions recognized by the Hospital relating to the traditional pension plan for the years ending December 31, 2020 and 2019 was approximately \$2,443,000 and \$2,260,000, respectively.

The amount of contributions recognized by the Hospital relating to the combined plan for the years ending December 31, 2020 and 2019 was approximately \$59,000 and \$45,000, respectively.

Defined Contribution Plans

OPERS also offers a defined contribution plan, the Member-Directed (MD) Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The MD Plan does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant’s choice of investment options.

Pension expense recorded for the years ended December 31, 2020 and 2019, for contributions to the Member-Directed Plan was approximately \$43,000 and \$55,000, respectively.

Deferred Compensation Plan

All full-time employees of the Hospital may participate in a deferred compensation plan created by the state of Ohio under the provisions of the Internal Revenue Code (IRC) Section 457, *Deferred Compensation Plans with Respect to Service for State and Local Governments*. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

Compensated assets deferred under a plan, all property, rights and all income attributable to those amounts, property or rights are held in trust at the state level for the benefit of the participants.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

12. OTHER POST-EMPLOYMENT BENEFITS

The Hospital is a participating employer contributing to the OPERS, which maintains a cost-sharing multiple employer defined benefit post-employment healthcare trust, which funds multiple health care plans including medical coverage, prescription drug program and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

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

In accordance with GASB Statement No. 75, employers participating in cost-sharing multiple employer plans are required to recognize a proportionate share of the collective OPEB liabilities of the plan.

The collective net OPEB liability of the retirement systems (GASB 75) and the Hospital's proportionate share of the net OPEB liability as of December 31 were as follows:

	2020	2019
Net OPEB liability - all employees	\$ 13,812,597,868	\$ 13,037,639,421
Proportion of the net OPEB liability - Hospital	0.11262%	0.11079%
	<u>\$ 15,555,886</u>	<u>\$ 14,444,401</u>

OPEB expense for the years ending December 31, 2020 and 2019, was \$2,049,893 and \$1,538,634, respectively.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 417	\$ 1,422,657
Net difference between projected and actual earnings on OPEB plan assets	-	792,102
Assumption changes	2,462,331	-
Change in proportionate share	385,462	-
Difference between Hospital contributions and proportionate share of contributions	-	4,290
Hospital contributions subsequent to the measurement date	17,206	-
Total	\$ 2,865,416	\$ 2,219,049

At December 31, 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources for OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,891	\$ 39,192
Net difference between projected and actual earnings on OPEB plan assets	662,190	-
Assumption changes	465,705	-
Change in proportionate share	468,994	-
Hospital contributions subsequent to the measurement date	22,187	-
Total	\$ 1,623,967	\$ 39,192

Net deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense during the years ending December 31 as follows:

2021	\$	(717,708)
2022		(249,296)
2023		(630)
2024		338,473
Total	\$	(629,161)

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Statutory Authority

Ohio Revised Code (ORC) Chapter 145

Benefit Formula

The ORC permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and the Combined Pension Plan is comparable, as the same coverage options are provided to participants in both plans. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the connector, and may be eligible for monthly allowances deposited to a health reimbursement account to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The OPERS determines the amount, if any of the associated health care costs that will be absorbed by the OPERS and attempts to control costs by using managed care, case management, and other programs.

Contribution Rates

The ORC provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employee contribution rates are expressed as a percentage of earnable salary of active members. In 2020 and 2019, State and Local employers contributed a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during calendar year 2020. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2020 remained consistent at 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2020 and 2019 was 4%.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Measurement Date

December 31, 2019, rolled forward from December 31, 2018 actuarial valuation date

Actuarial Assumptions

Valuation Date: December 31, 2018

Rolled Forward Measurement Date: December 31, 2019

Actuarial Cost Method: Individual entry age

Investment Rate of Return: 6.00%

Inflation: 3.25%

Projected Salary Increases: 3.25% - 10.75%

Health Care Cost Trend: 10.5% initial, 3.5% ultimate through 2030

Date of Last Experience Study

December 31, 2015

Mortality Rates

Mortality rates are based on the RP-2014 Health Annuitant mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base on 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base of 2006 and then established the base year as 2010. The mortality tables, used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 mortality improvement scale.

Investment Return Assumptions

The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return 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, adjusted for inflation.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

The following table displays the OPERS Board-approved asset allocation policy for health care assets for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return *
Fixed Income	36%	1.5%
Domestic Equity	21%	5.8%
Real Estate	6%	5.7%
International Equity	23%	7.7%
Other Investments	14%	4.9%
Total	<u>100%</u>	

* Returns presented as arithmetic means

Discount Rate

A discount rate of 3.16% was used to measure the total OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). The single discount rate was based on an expected rate of return on the health care investment portfolio of 6.0% and a municipal bond rate of 2.75%. The projected cash flows used to determine the discount rate assumed that the employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position and future contributions were significant to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Health Care Cost Trend Rate

A health care cost trend rate of 10.5% was used to measure total OPEB liability on the measurement date of December 31, 2019. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.5%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near wage inflation (3.25%).

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Sensitivity of Net OPEB Liability to Changes in Discount Rate

1% Decrease	Current Rate	1% Increase
(2.16%)	(3.16%)	(4.16%)
\$ 20,357,372	\$ 15,555,886	\$ 11,711,458

Sensitivity of Net OPEB Liability to Changes in Health Care Cost Trend Rate

1% Decrease	Current Rate	1% Increase
(9.50%)	(10.50%)	(11.50%)
\$ 15,096,845	\$ 15,555,886	\$ 16,009,075

The amount of contributions recognized by the Hospital relating to the OPEB for the years ending December 31, 2020 and 2019 was approximately \$17,000 and \$22,000, respectively.

13. DEFERRED REVENUE

During 2020, the Provider Relief Fund (PRF) grants authorized under the CARES Act were distributed to healthcare providers impacted by the outbreak of the coronavirus pandemic (COVID-19) under Catalog of Federal Domestic Assistance (CFDA) #93.498. Revenues from PRF grants are recognized to the extent of COVID-19 related expenses. Additional revenues from PRF grants in excess of COVID-19 related expenses can be recognized to the extent of patient revenues lost as a result of the pandemic. The Hospital recognized PRF revenue of \$2,373,814 in the statement of revenues, expenses, and changes in net position as nonoperating revenue in 2020. Patient revenues lost represent the deficiency in net patient service revenues budgeted for 2020. PRF grants included in deferred revenue on the statement of net position represent grant funds received in excess of COVID-19 expenses and patient revenues lost. These funds are subject to recoupment by the grantor in the event that the conditions for recognition are not met.

As part of the CARES Act, Congress also authorized Coronavirus Relief Funds (CRF), which were distributed to state and local governments. In 2020, the state of Ohio passed through CRF funds to healthcare providers in the state. Revenues from PRF grants are recognized to the extent of COVID-19 related expenses. The Hospital recognized CRF revenue of \$214,048 in the statement of revenues, expenses, and changes in net position as nonoperating revenue in 2020. CRF grants included in deferred revenue on the statement of net position represent funds received in excess of COVID-19 related expenses. These funds are subject to recoupment by the grantor in the event that the conditions for recognition are not met.

During 2020, the Hospital also received an Assistant Secretary for Preparedness and Response (ASPR) Grant CFDA #93.889 from the Ohio Hospital Association. As of December 31, 2020, the Hospital has utilized these funds for their purpose. The revenue associated with these funds is included in the statement of revenues, expenses, and changes in net position as nonoperating revenue in 2020.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

The passage of the CARES Act also authorized Center for the Medicare and Medicaid Services (CMS) to expand the Medicare Accelerated and Advance Payment Program to a broader group of Medicare Part A providers and Part B suppliers. As an eligible healthcare organization, the Hospital was eligible to request up to 100% of their Medicare payment amounts for a six-month period. These payments were issued in April and June 2020. Recoupment of the advance payment was to begin following a 120-day deferral period. The Continuing Appropriations Act, 2021 and Other Extensions Act, which passed on September 30, 2020, allowed providers to extend repayment for a full year before recoupment begins. During the period before recoupment, Medicare claims submitted by the Hospital will continue to be reimbursed at standard rates, after which the recoupment process will begin and payment for submitted claims will be reduced by 25% for 11 months, then 50% for the following 6 months. Any outstanding payments after this period will be due in full to CMS. The advance payment is included in deferred revenue on the statement of net position.

The Hospital also received an advance from Medical Mutual for \$146,005. This advance is repayable with monthly payments of \$6,637 which began in September 2020. The outstanding advance is included in deferred revenue on the statement of net position.

As of and for the year ended December 31, 2020, grant revenue recognized and deferred revenue recorded were as follows:

	Revenue Recognized	Deferred Revenue	Total
Provider relief fund	\$ 2,373,814	\$ 2,899,631	\$ 5,273,445
Coronavirus relief fund	214,048	243,563	457,611
Medical Mutual accelerated and advance payment program	-	112,822	112,822
Medicare accelerated and advance payment program	-	6,458,348	6,458,348
ASPR	31,344	-	31,344
Ending balance as of December 31, 2020	<u>\$ 2,619,206</u>	<u>\$ 9,714,364</u>	<u>\$ 12,333,570</u>

14. SOFTWARE LICENSING AGREEMENT

In 2019, the Hospital entered into a software licensing agreement with Bon Secours Mercy Health, Inc. (Mercy) for the right to access and use a portion of the Mercy electronic medical record system.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

The agreement provided for the use of the system for a period of five years and can be renewed in successive one year terms. The initial implementation costs of \$1,211,254, payable to Mercy, are payable in 25% installments upon execution of the contract, the go-live date, six months after the go-live date, and one year after the go live date. The system went live in October 2020. As of December 31, 2020, \$605,627 of the implementation costs had been paid. The implementation costs are considered an intangible assets and are included in capital assets on the statements of net position. The implementation costs are being amortized on a straight-line basis over the five year term of the agreement. During 2020 and 2019, the Hospital recorded \$61,704 and \$0 of amortization expense, respectively, relating to this software.

Beginning upon the go-live date in October 2020, the Hospital began making monthly access fee payments of \$26,945 for a period of five years. The monthly maintenance expense is subject to adjustment based on the number of system users. Management does not anticipate substantial adjustments to the expense over the remaining term of the contract.

15. CONTINGENCIES AND COMMITMENTS

Compliance Risks

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance that have not been provided for in the financial statements; however, the possible future financial effects of this matter on the Hospital, if any, are not presently determinable.

Coronavirus Pandemic

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts the Hospital's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. To date, the Hospital has experienced decreases in patient revenues and increases in costs of certain supplies. Additional potential impacts include, but are not limited to, additional costs for responding to COVID-19; shortages of healthcare personnel; shortages of clinical supplies; increased demand for services; delays, loss of, or reduction to revenue, contributions, and funding; and investment portfolio declines. Management believes the Hospital is taking appropriate actions to respond to the pandemic; however, the full impact is unknown and cannot be reasonably estimated as of the date the financial statements were available to be issued.

WYANDOT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Commitments

Certain amounts in construction in progress relates to ongoing renovations and expansion projects. As of December 31, 2020, the Hospital has future commitments to spend approximately \$5,400,000 on these projects. The Hospital has not drawn debt to finance these projects.

16. RECENT GASB PRONOUNCEMENTS

Management has not currently determined what effects, if any, the implementation of the following recently enacted statements may have on its future financial statements:

GASB Statement No. 87, *Leases*, which requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 87, *Leases*, by 18 months. GASB Statement No. 87 will be effective for periods beginning after June 15, 2021.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, by one year. GASB Statement No. 89 will be effective for periods beginning after December 15, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

WYANDOT MEMORIAL HOSPITAL

REQUIRED SUPPLEMENTARY INFORMATION ON GASB 68 PENSION ASSETS, PENSION LIABILITIES, AND PENSION CONTRIBUTIONS (UNAUDITED) DECEMBER 31, 2020, 2019, 2018, 2017, 2016, AND 2015

Schedule of Proportionate Share of the Net Pension Assets and Liability (rounded to the nearest thousand)

Traditional Defined Benefit Pension Plan	2020	2019	2018	2017	2016	2015
Hospital proportion of the collective net pension liability	0.11%	0.11%	0.11%	0.10%	0.10%	0.09%
Hospital proportionate share of the net pension liability	\$ 22,675,000	\$ 30,794,000	\$ 16,546,000	\$ 23,577,000	\$ 17,497,000	\$ 11,135,000
Hospital covered payroll	\$ 16,146,000	\$ 14,030,000	\$ 13,920,000	\$ 13,428,000	\$ 12,572,000	\$ 11,318,000
Hospital proportionate share of the net pension liability as a percentage of its covered payroll	140.4%	219.5%	118.9%	175.6%	139.2%	98.4%
Plan fiduciary net position as a percentage of the total pension liability	82.2%	74.7%	84.7%	77.3%	81.1%	86.5%
Combined Defined Benefit Pension Plan	2020	2019	2018	2017	2016	2015
Hospital proportion of the collective net pension asset	0.07%	0.07%	0.08%	0.06%	0.06%	0.05%
Hospital proportionate share of the net pension asset	\$ 149,000	\$ 80,000	\$ 103,000	\$ 35,000	\$ 29,000	\$ 18,000
Hospital covered payroll	\$ 319,000	\$ 289,000	\$ 309,000	\$ 244,000	\$ 220,000	\$ 161,000
Hospital proportionate share of the net pension asset as a percentage of its covered payroll	46.7%	27.7%	33.3%	14.3%	13.2%	11.2%
Plan fiduciary net position as a percentage of the total pension asset	145.3%	126.6%	137.3%	116.6%	116.9%	114.8%

Schedule of Hospital Contributions (rounded to the nearest thousand)

Traditional Defined Benefit Pension Plan	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,443,000	\$ 2,260,000	\$ 1,964,000	\$ 1,810,000	\$ 1,611,000	\$ 1,509,000
Contributions in relation to the contractually required contribution	\$ 2,443,000	\$ 2,260,000	\$ 1,964,000	\$ 1,810,000	\$ 1,611,000	\$ 1,509,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 17,453,000	\$ 16,146,000	\$ 14,030,000	\$ 13,920,000	\$ 13,428,000	\$ 12,572,000
Contributions as a percentage of covered payroll	14.00%	14.0%	14.0%	13.0%	12.0%	12.0%
Combined Defined Benefit Pension Plan	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 59,000	\$ 45,000	\$ 40,000	\$ 40,000	\$ 29,000	\$ 26,000
Contributions in relation to the contractually required contribution	\$ 59,000	\$ 45,000	\$ 40,000	\$ 40,000	\$ 29,000	\$ 26,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 424,000	\$ 319,000	\$ 289,000	\$ 309,000	\$ 244,000	\$ 220,000
Contributions as a percentage of covered payroll	14.00%	14.00%	14.0%	13.0%	12.0%	12.0%

Note: This schedule is intended to present ten years of the proportionate share of the net pension liability and contributions. Currently, only those years with information available are presented.

See report of independent auditors.

WYANDOT MEMORIAL HOSPITAL

REQUIRED SUPPLEMENTARY INFORMATION ON GASB 75 OTHER POSTEMPLOYMENT
BENEFIT LIABILITIES AND CONTRIBUTIONS (UNAUDITED)
DECEMBER 31, 2020, 2019, 2018, 2017, 2016, AND 2015

**Schedule of Proportionate Share of the Net OPEB Liability
(rounded to the nearest thousand)**

OPEB	2020	2019	2018
Hospital proportion of the collective net OPEB liability	0.11%	0.11%	0.10%
Hospital proportionate share of the net OPEB liability	\$ 15,556,000	\$ 14,444,000	\$ 11,332,000
Hospital covered payroll	\$ 17,020,000	\$ 14,841,000	\$ 14,728,000
Hospital proportionate share of the net OPEB liability as a percentage of its covered payroll	91.4%	97.3%	76.9%
Plan fiduciary net position as a percentage of the total OPEB liability	47.8%	46.3%	54.1%

**Schedule of Hospital Contributions
(rounded to the nearest thousand)**

OPEB	2020	2019	2018
Contractually required OPEB contribution	\$ 17,000	\$ 22,000	\$ 21,000
Contributions in relation to the contractually required contribution	\$ 17,000	\$ 22,000	\$ 21,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 18,308,000	\$ 17,020,000	\$ 14,841,000
Contributions as a percentage of covered payroll	0.09%	0.13%	0.14%

Note: This schedule is intended to present ten years of the proportionate share of the net OPEB liability and contributions. Currently, only those years with information available are presented.

WYANDOT MEMORIAL HOSPITAL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Defined Benefit Pension Plans

Changes of Benefit Terms

Amounts reported in 2015 for OPERS reflect the following plan changes:

- The minimum age and number of years of service required to receive an unreduced benefit were each increased by two years for members in the state and local divisions. The minimum retirement age required for law enforcement members did not change, however, the minimum retirement age was increased by two years.
- Final average salary (FAS) increased to the highest five years (up from three years).
- The benefit multiplier used for the first 30 years (2.2 percent of FAS) was increased to the first 35 years of service.
- Age and service reduction factors changed to represent actuarially determined rates for each year a member retires before attaining full retirement.
- The Cost of Living Adjustment (COLA) was changed for new retirees from a simple 3 percent applied to the benefit value at date of retirement, to a rate based on the change in the Consumer Price Index, not to exceed 3 percent.

Changes of Assumptions

In 2016, the OPERS' Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions for the actuarial valuation as of December 31, 2018, used for the Hospital's 2019 fiscal year. Amounts reported in the Hospital's 2019 fiscal year for the OPERS pension plans reflect the following change of assumptions from the amounts reported for the 2018 fiscal year based on the experience study:

- Actuarially assumed expected rate of investment return decreased from 7.5 percent to 7.2 percent.
- Projected salary increases remained consistent at 3.25 percent – 10.75 percent for the Traditional Pension Plan and at 3.25 percent – 8.25 percent for the Combined Plan.

WYANDOT MEMORIAL HOSPITAL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2. Defined Benefit Postemployment Benefits other than Pensions

Changes of Assumptions

Amounts reported in 2019 for OPERS reflect the following changes in assumptions based on an experience study for the five year period ending December 31, 2015:

- Wage inflation assumption remained consistent at 3.25 percent.
- Health care cost trend rate increased from 10 percent initial, 3.25 percent ultimate in 2029 to 10.5 percent initial, 3.5 percent in 2030.



Blue & Co., LLC / 9200 Worthington Road, Suite 200 / Westerville, OH 43082
main 614.885.BLUE (2583) fax 614.885.0580 email blue@blueandco.com

**REPORT OF INDEPENDENT AUDITORS 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**

To the Board of Governors
Wyandot Memorial Hospital
Upper Sandusky, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the aggregate discretely presented component unit of Wyandot Memorial Hospital (the "Hospital"), as of and for the year ending December 31, 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements have issued our report thereon dated August 27, 2021.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Hospital's internal control. Accordingly, we have not opined on it.

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

Board of Governors
Wyandot Memorial Hospital
Upper Sandusky, Ohio

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings and responses that we consider material weaknesses. We consider findings 2020-001 through 2020-003 to be material weaknesses.

Compliance and Other Matters

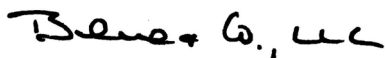
As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining 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 we must report under *Government Auditing Standards*.

Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Westerville, Ohio
August 27, 2021

WYANDOT MEMORIAL HOSPITAL

SCHEDULE OF AUDIT FINDINGS AND RESPONSES YEAR ENDED DECEMBER 31, 2020

2020-001 Material Weakness

Condition: At December 31, 2020, the Organization's month end closing procedures may not detect or correct material misstatements in a timely manner.

Criteria: In order for management's assertions surrounding financial reporting to be met, month end closing procedures should be designed and implemented to ensure that accounting records are complete and accurate.

Cause: Several accounts were not being reviewed, reconciled, or approved.

Effect: Several accounts required post-closing adjustments in May 2021.

Recommendation: We recommend the Organization establish a monthly financial statement close checklist and process to outline necessary duties, required reconciliations, and approvals.

Management's Response: In May 2021, management hired a new Senior Director of Accounting. With the additional resource, management anticipates these tasks being completed in a timely manner.

2020-002 Material Weakness

Condition: Cash reconciliations were not completed timely throughout 2020.

Criteria: Management is responsible for establishing and maintaining internal controls over financial reporting which includes account reconciliations being performed on a monthly basis.

Cause: Multiple transactions were recorded by management in April and May 2021 that related to 2020 transactions.

Effect: Potential material misstatements in the financial statements and disclosures may not be detected.

Recommendation: Management should ensure that bank reconciliations are completed and reviewed on a monthly basis.

Management's Response: In May 2021, management hired a new Senior Director of Accounting. With the additional resource management anticipates these tasks being completed in a timely manner.

WYANDOT MEMORIAL HOSPITAL

SCHEDULE OF AUDIT FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2020

2020-003 Material Weakness

Condition: Certain patient accounts receivable reports as of December 31, 2020 were not accurate.

Criteria: In order for management's assertions surrounding financial reporting to be met, month end patient accounts receivable reports should be complete and accurate.

Cause: The system reports did not accurately report the accounts receivable balance as of December 31, 2020.

Effect: Inaccurate system reports could lead to materially misstated financial statements.

Recommendation: We recommend management work with the software provider to ensure that the system reports are complete and accurate.

Management's Response: Management has identified the issues within the system and has been working with the software provider to get this issue corrected.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



WYANDOT MEMORIAL HOSPITAL

WYANDOT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 10/14/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov