

Wyandot Memorial Hospital
Independent Auditor's Reports and Financial Statements
December 31, 2019 and 2018

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Wyandot Memorial Hospital, Wyandot County, prepared by BKD, LLP, for the audit period January 1, 2019 through December 31, 2019. 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. The Wyandot Memorial Hospital is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 19, 2020

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Wyandot Memorial Hospital

December 31, 2019 and 2018

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Independent Auditor's Report

Board of Governors
Wyandot Memorial Hospital
Upper Sandusky, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Wyandot Memorial Hospital (Hospital) and its discretely presented component unit, Wyandot Health Foundation, Inc., as of and for the years ended December 31, 2019 and 2018, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Wyandot Memorial Hospital and of its discretely presented component unit as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing measures may impact subsequent periods of Wyandot Memorial Hospital. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated June 1, 2020, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

BKD, LLP

Fort Wayne, Indiana
June 1, 2020

Wyandot Memorial Hospital

Management's Discussion and Analysis

December 31, 2019 and 2018

Management's Discussion and Analysis

The discussion and analysis of Wyandot Memorial Hospital's (Hospital) financial statements provides an overview of the Hospital's financial activities for the years ended December 31, 2019, 2018 and 2017. Management is responsible for the completeness and fairness of the financial statements and the related note disclosures along with the discussion and analysis.

Using This Annual Report

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the financial statements and notes to the financial statements. These financial statements and related notes provide information about the activities of the Hospital, including resources held but restricted for specific purposes by contributors, grantors or enabling legislation.

Financial Highlights

The Hospital's current assets increased by \$10,145,776 or 40.85 percent from the prior year compared to a \$1,331,106 or 5.66 percent increase last year. The change in the current year was due primarily to an increase in cash, short-term investments and accounts receivable. The change in the prior year was primarily driven by an increase in cash and cash equivalents and short-term investments and a reduction in accounts receivable.

The Hospital's total liabilities increased \$21,056,172 or 60.20 percent from the prior year compared to a \$3,917,456 or 12.61 percent increase last year. The change in the current year was due primarily to an increase in the net pension and other postemployment benefit (OPEB) liability of \$14,247,743 and \$3,112,760, respectively. In the prior year, the change was due primarily to a decrease in the net pension liability of and an increase, respectively, in the net pension and OPEB liability of \$4,300,947.

The Hospital's net position decreased \$2,706,803 or 6.10 percent from the previous year compared to a decrease of \$8,304,724 or 15.75 percent last year. This change was due primarily to an increase of \$3,940,014 in employee benefits and payroll taxes due to continued effect of GASB 68 and GASB 75 related to the Ohio Public Employees Retirement System (OPERS) and OPEB liability.

The following chart provides a breakdown of the Hospital's net position by category as of December 31, 2019, 2018 and 2017:

	Year Ended December 31		
	2019	2018	2017
Net Position			
Net investment in capital assets	\$ 18,400,250	\$ 17,953,847	\$ 18,430,906
Restricted	9,019,416	8,034,965	6,443,057
Unrestricted	14,282,074	18,419,731	27,839,304

For the year ended December 31, 2019, the Hospital's operating and nonoperating expenses exceeded revenues, creating a decrease in net position of \$2,706,803. For the year ended December 31, 2018, revenues exceeded expenses, creating an increase in net position of \$2,070,715. For the year ended December 31, 2017, expenses exceeded revenues, creating a decrease in net position of \$2,706,314.

Wyandot Memorial Hospital

Management's Discussion and Analysis

December 31, 2019 and 2018

The Balance Sheet and Statement of Revenue, Expenses and Changes in Net Position

One of the most important questions asked about any hospital's finances is "Is the hospital as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenue, expenses and changes in net position report information about the Hospital as a whole and on its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that 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 changes in it. The Hospital's total net position—the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	December 31			2019/2018 Change	
	2019	2018	2017	Amount	Percent
Assets					
Current assets	\$ 34,982,706	\$ 24,836,930	\$ 23,505,824	\$ 10,145,776	40.85%
Assets limited as to use	9,858,948	8,841,222	7,308,523	1,017,726	11.51%
General long-term investments	20,565,733	27,126,742	24,896,406	(6,561,009)	-24.19%
Capital assets	21,015,094	18,046,694	18,430,906	2,968,400	16.45%
Net pension asset	80,173	102,804	34,881	(22,631)	-22.01%
Total assets	<u>86,502,654</u>	<u>78,954,392</u>	<u>74,176,540</u>	<u>7,548,262</u>	9.56%
Deferred Outflows of Resources					
Pension	10,092,609	4,357,889	9,760,915	5,734,720	131.59%
Other postemployment benefits related	1,623,967	854,781	-	769,186	89.99%
Total deferred outflows of resources	<u>11,716,576</u>	<u>5,212,670</u>	<u>9,760,915</u>	<u>6,503,906</u>	124.77%
Total assets and deferred outflows of resources	<u>\$ 98,219,230</u>	<u>\$ 84,167,062</u>	<u>\$ 83,937,455</u>	<u>\$ 14,052,168</u>	16.70%
Liabilities					
Current liabilities	\$ 10,796,966	\$ 7,101,297	\$ 7,484,788	\$ 3,695,669	52.04%
Net pension and other postemployment benefits liability	45,238,342	27,877,839	23,576,892	17,360,503	62.27%
Total liabilities	<u>56,035,308</u>	<u>34,979,136</u>	<u>31,061,680</u>	<u>21,056,172</u>	60.20%
Deferred Inflows of Resources					
Pension	442,990	3,935,251	162,508	(3,492,261)	-88.74%
Other postemployment benefits related	39,192	844,132	-	(804,940)	-95.36%
Total deferred inflows of resources	<u>482,182</u>	<u>4,779,383</u>	<u>162,508</u>	<u>(4,297,201)</u>	-89.91%
Net Position					
Net investment in capital assets	18,400,250	17,953,847	18,430,906	446,403	2.49%
Restricted	9,019,416	8,034,965	6,443,057	984,451	12.25%
Unrestricted	14,282,074	18,419,731	27,839,304	(4,137,657)	-22.46%
Total net position	<u>41,701,740</u>	<u>44,408,543</u>	<u>52,713,267</u>	<u>(2,706,803)</u>	-6.10%
Total liabilities, deferred inflows of resources and net position	<u>\$ 98,219,230</u>	<u>\$ 84,167,062</u>	<u>\$ 83,937,455</u>	<u>\$ 14,052,168</u>	16.70%

Wyandot Memorial Hospital

Management's Discussion and Analysis

December 31, 2019 and 2018

The primary changes in the Hospital's balance sheet relate to increases in cash and cash equivalents, short-term investments, assets limited as to use and general long-term investments as a result of positive operating cash flow along with a decrease in deferred outflows of resources and increases in net pension and OPEB liability and deferred inflows of resources related to the pension and OPEB changes.

Table 2: Operating Results and Changes in Net Assets

The following is a comparative analysis of the major components of the statements of revenue, expenses and changes in net position of the Hospital for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31			2019/2018 Change	
	2019	2018	2017	Amount	Percent
Operating Revenue					
Net patient service revenue	\$ 49,070,922	\$ 46,441,003	\$ 41,824,466	\$ 2,629,919	5.66%
Other operating revenue	2,116,826	2,259,082	2,485,867	(142,256)	-6.30%
Total operating revenue	<u>51,187,748</u>	<u>48,700,085</u>	<u>44,310,333</u>	<u>2,487,663</u>	5.11%
Operating Expenses					
Salaries and wages	18,661,464	17,304,666	15,761,761	1,356,798	7.84%
Employee benefits and payroll taxes	11,513,472	7,573,458	7,942,922	3,940,014	52.02%
Supplies and other	12,256,136	12,140,179	11,354,675	115,957	0.96%
Purchased services and professional fees	9,780,443	9,023,778	9,818,737	756,665	8.39%
Insurance	337,779	313,112	370,396	24,667	7.88%
Depreciation and amortization	3,082,462	2,438,206	2,424,821	644,256	26.42%
Total operating expenses	<u>55,631,756</u>	<u>48,793,399</u>	<u>47,673,312</u>	<u>6,838,357</u>	14.01%
Operating Loss	<u>(4,444,008)</u>	<u>(93,314)</u>	<u>(3,362,979)</u>	<u>(4,350,694)</u>	4662.42%
Nonoperating Revenue					
Interest income	851,160	524,604	320,287	326,556	62.25%
Contributions and other income	50,598	110,658	336,378	(60,060)	-54.28%
Total nonoperating revenue	<u>901,758</u>	<u>635,262</u>	<u>656,665</u>	<u>266,496</u>	41.95%
Excess (Deficiency) of Revenues Over Expenses Before Capital Gifts	<u>(3,542,250)</u>	<u>541,948</u>	<u>(2,706,314)</u>	<u>(4,084,198)</u>	-753.61%
Capital Gifts	<u>835,447</u>	<u>1,528,767</u>	<u>-</u>	<u>(693,320)</u>	-45.35%
Increase (Decrease) in Net Position	<u>(2,706,803)</u>	<u>2,070,715</u>	<u>(2,706,314)</u>	<u>(4,777,518)</u>	-230.72%
Net Position, Beginning of Year	<u>44,408,543</u>	<u>42,337,828</u>	<u>55,419,581</u>	<u>2,070,715</u>	4.89%
Net Position, End of Year	<u>\$ 41,701,740</u>	<u>\$ 44,408,543</u>	<u>\$ 52,713,267</u>	<u>\$ (2,706,803)</u>	-6.10%

Wyandot Memorial Hospital

Management's Discussion and Analysis

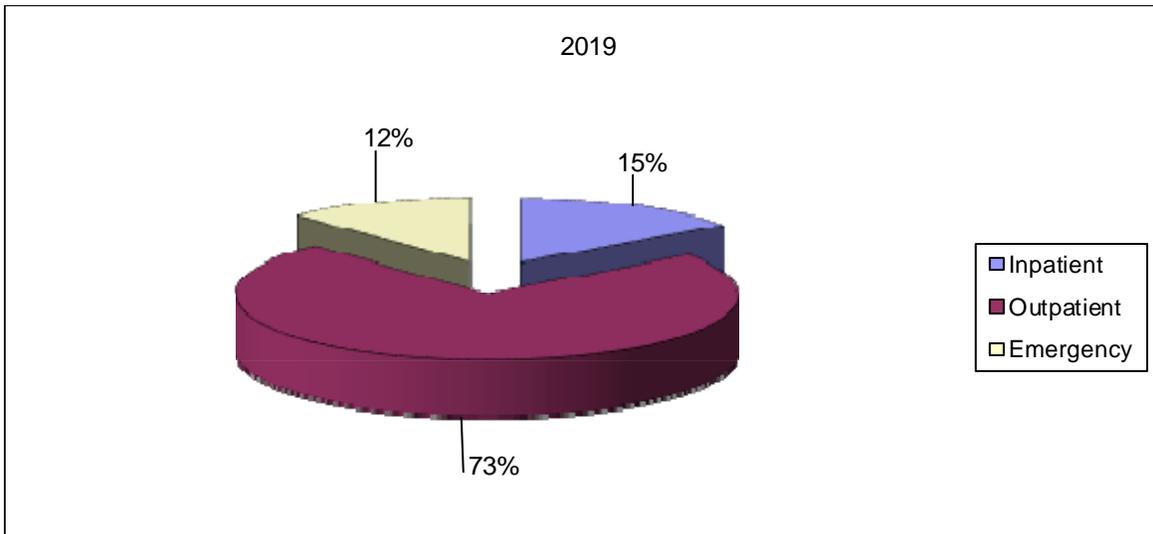
December 31, 2019 and 2018

Operating Revenue

Operating revenue includes 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:

- Gross patient revenue is reduced by revenue deductions. These deductions are accounts that are uncollectible or the amounts not paid to the Hospital under contractual arrangements primarily with Medicare, Medicaid, Medical Mutual and commercial carriers. These revenue deductions for 2019 were 54.36 percent of gross revenue and were 52.65 percent and 55.12 percent in 2018 and 2017, respectively. Net patient service revenue increased in 2019 by \$2,629,919, or 5.66 percent, compared to an increase in 2018 of \$4,616,537, or 11.04 percent and a decrease in 2017 of \$1,663,816 or 3.83 percent.
- Other operating revenue decreased 6.30 percent in 2019 due to lower pharmacy revenue due to participation in the 340(b) program. In 2018 and 2017, other operating revenue decreased and increased 9.12 and 10.96 percent, respectively.
- The following is a graphic illustration of net patient service revenue by source:



Wyandot Memorial Hospital

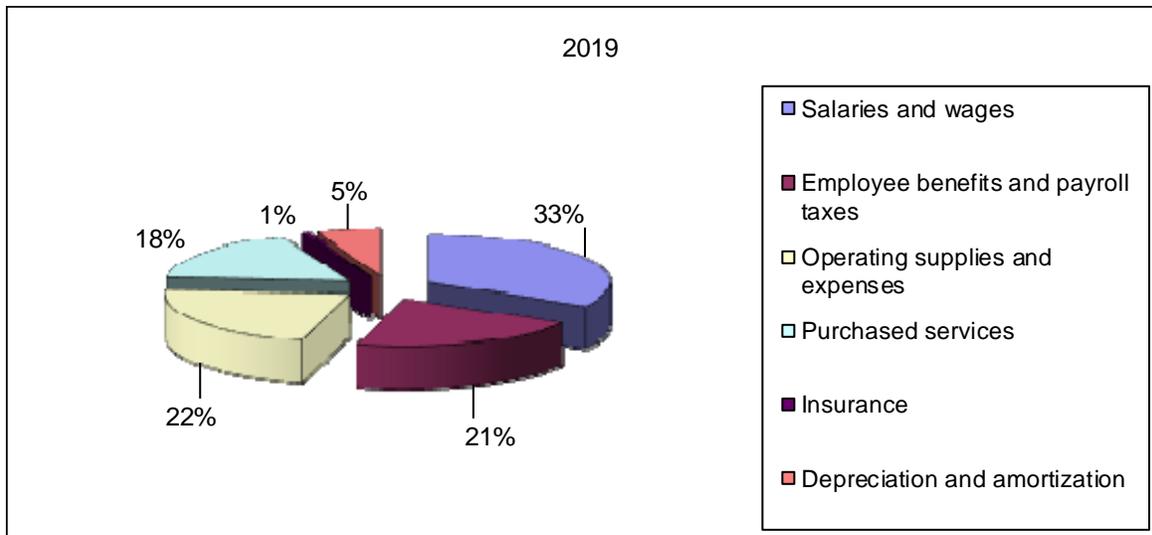
Management's Discussion and Analysis

December 31, 2019 and 2018

Operating Expenses

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

- Salaries and wages costs increased by \$1,356,798, or 7.84 percent, in 2019, compared to an increase of \$1,542,905, or 9.79 percent, and \$593,452, or 3.91 percent, in 2018 and 2017, respectively. The increases in salaries and wages are the result of annual increases in salary and wage costs and employment of certain personnel versus utilizing purchased services agreements year over year.
- Employee benefit and payroll tax costs increased by \$3,940,014, or 52.02 percent, in 2019, compared to a decrease of \$369,464, or 4.65 percent, in 2018, and an increase of \$2,582,992, or 48.19 percent, in 2017. The majority of the increase during 2019 and 2017 is the result of the effect of changes related to pension expense. Pension expense was \$7,512,908, \$4,081,776, and \$5,458,835 in 2019, 2018 and 2017, respectively.
- Supplies increased by \$115,957, or 0.96 percent, in 2019, compared to an increase of \$785,504, or 6.92 percent and \$906,706, or 8.68 percent, in 2018 and 2017, respectively. The increases are primarily due to increased patient supplies for oncology, surgery and physician practices as a result of increased patient volumes and other ancillary services.
- Purchased services and professional fees increased by \$756,665, or 8.39 percent, in 2019, compared to a decrease of \$794,959, or 8.10 percent, in 2018, and an increase of \$477,828, or 5.12 percent, in 2017. The changes are primarily due to fluctuations related to professional fees for physician services, emergency department and physical therapy expenses.
- The following is a graphic illustration of operating expenses by type:



Wyandot Memorial Hospital

Management's Discussion and Analysis

December 31, 2019 and 2018

Nonoperating Revenue and Expenses

Nonoperating revenues and expenses are all sources and uses that are primarily non-exchange in nature. They consist primarily of investment income and contributions.

Capital Gifts

During 2019, the Hospital received gifts totaling \$835,447 from estates of donors for buildings and other capital purchases. In 2018, the Hospital received a gift of \$1,528,767 from the estate of a donor to purchase capital assets. There were no capital gifts received during 2017.

The Hospital's Cash Flows

Another way to assess the financial health of a hospital is to look at the statement of cash flows.

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

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

	Year Ended December 31			2019/2018 Change Increase (Decrease)
	2019	2018	2017	
Cash Provided by (Used in)				
Operating activities	\$ 5,030,366	\$ 6,355,530	\$ 5,079,747	\$ (1,325,164)
Capital and noncapital related financing activities	(2,649,887)	(321,722)	(1,337,724)	(2,319,165)
Investing activities	(949,392)	(5,173,218)	(4,695,218)	4,223,826
Net Increase (Decrease) in Cash and Cash Equivalents	1,440,087	860,590	(953,195)	579,497
Cash and Cash Equivalents, Beginning of Year	10,095,738	9,235,148	10,188,343	860,590
Cash and Cash Equivalents, End of Year	\$ 11,535,825	\$ 10,095,738	\$ 9,235,148	\$ 1,440,087

Wyandot Memorial Hospital

Management's Discussion and Analysis

December 31, 2019 and 2018

The Hospital's liquidity changed during the year. The following discussion amplifies the overview of cash flows presented above:

Cash provided by operating activities decreased in 2019 by \$1,325,164 compared to 2018. This is primarily the result of an increase in amounts due from patients compared to prior year and changes in activity, offset by cash payments to suppliers/contracts and employees and for employee benefit expenses. Cash from operating activities increased \$1,275,783 in 2018 due to an increase in cash collections from patients as a result of an overall lower accounts receivable balance compared to prior year and increased activity.

Contributions for acquisition of property and equipment were \$835,447 and \$1,528,767 for 2019 and 2018, respectively. There were no capital gifts received during 2017. Noncapital grants and gifts during 2019, 2018 and 2017 were \$50,598, \$110,658, and \$336,378, respectively. Capital purchases in 2019, 2018 and 2017 were \$3,528,865, \$1,961,147 and \$1,679,294, respectively.

Cash used in investing activities was \$949,392, \$5,173,218 and \$4,695,218 during 2019, 2018, and 2017, respectively.

Capital Assets

Capital assets for the past three years are detailed below:

	Year Ended December 31			2019/2018 Change Increase
	2019	2018	2017	
Land	\$ 190,310	\$ 148,000	\$ 148,000	\$ 42,310
Land improvements	1,340,858	1,383,858	1,291,057	(43,000)
Buildings and improvements	25,051,978	24,501,520	24,244,300	550,458
Major movable equipment	20,505,070	18,452,234	17,296,392	2,052,836
Construction in progress	1,355,311	-	-	1,355,311
Total	\$ 48,443,527	\$ 44,485,612	\$ 42,979,749	\$ 3,957,915

In November 2019, the Hospital's Board of Governors approved the expansion of its surgery center on the Hospital's existing campus. The project, with an expected cost of approximately \$11,250,000, will be completed in 2020. As of December 31, 2019, there remains approximately \$10,670,000 of commitments related to the project. The surgery center project is being funded primarily through contributions the Hospital has received related to the project.

Debt

For the years ended December 31, 2019, 2018 and 2017, the Hospital had no outstanding debt.

Although the Hospital has no debt obligations, the Hospital continues to complete project renovations and provide capital improvements without securing any debt obligations. These capital improvements are funded through operations, grants and community support.

Wyandot Memorial Hospital

Management's Discussion and Analysis

December 31, 2019 and 2018

Other Economic Factors

The economic position of the Hospital is closely tied to that of the local medical staff. 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. The building program, including a new Emergency Department and expanded outpatient services, was completed in 2012. 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. The Hospital's current financial and capital plans indicate that the infusion of additional financial resources from the foregoing actions will enable it to maintain its present level of service. In addition, the Board of Governors approved an average increase of 3 percent in the charge structure for the upcoming fiscal year. 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.

Contacting the Hospital's Financial Management

This financial report is intended to provide our member townships with a general overview of the Hospital's finances and 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.

Ty R. Shaul, MBA
Chief Executive Officer

Wyandot Memorial Hospital

Balance Sheets

December 31, 2019 and 2018

	2019		2018	
	Hospital	Component	Hospital	Component
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	\$ 11,411,323	\$ 473,285	\$ 9,971,218	\$ 475,053
Short-term investments	15,478,687	454,193	8,134,870	340,710
Patient accounts receivable, net of allowance of uncollectible accounts; 2019 - \$1,814,115; 2018 - \$2,312,087	6,206,020	-	5,130,482	-
Inventory	1,205,823	-	995,877	-
Prepaid expenses and other	680,853	-	604,483	-
Total current assets	<u>34,982,706</u>	<u>927,478</u>	<u>24,836,930</u>	<u>815,763</u>
Noncurrent Cash and Investments				
Assets limited as to use	9,858,948	-	8,841,222	-
Long-term investments	20,565,733	765,403	27,126,742	784,623
Total noncurrent cash and investments	<u>30,424,681</u>	<u>765,403</u>	<u>35,967,964</u>	<u>784,623</u>
Capital Assets, Net	21,015,094	-	18,046,694	-
Net Pension Asset	80,173	-	102,804	-
Total assets	<u>86,502,654</u>	<u>1,692,881</u>	<u>78,954,392</u>	<u>1,600,386</u>
Deferred Outflows of Resources				
Pension	10,092,609	-	4,357,889	-
Other postemployment benefits related	1,623,967	-	854,781	-
Total deferred outflows of resources	<u>11,716,576</u>	<u>-</u>	<u>5,212,670</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 98,219,230</u>	<u>\$ 1,692,881</u>	<u>\$ 84,167,062</u>	<u>\$ 1,600,386</u>
Liabilities, Deferred Inflows Of Resources and Net Position				
Current Liabilities				
Accounts payable	\$ 5,080,823	\$ -	\$ 1,892,558	\$ -
Accrued compensated absences	1,646,772	-	1,462,845	-
Accrued expenses and other	2,452,239	-	1,909,451	-
Estimated amounts due to third-party payers	1,617,132	-	1,836,443	-
Total current liabilities	<u>10,796,966</u>	<u>-</u>	<u>7,101,297</u>	<u>-</u>
Noncurrent Liabilities				
Pension	30,793,941	-	16,546,198	-
Other postemployment benefits related	14,444,401	-	11,331,641	-
Total noncurrent liabilities	<u>45,238,342</u>	<u>-</u>	<u>27,877,839</u>	<u>-</u>
Total liabilities	<u>56,035,308</u>	<u>-</u>	<u>34,979,136</u>	<u>-</u>
Deferred Inflows of Resources				
Pension	442,990	-	3,935,251	-
Other postemployment benefits related	39,192	-	844,132	-
Total deferred inflows of resources	<u>482,182</u>	<u>-</u>	<u>4,779,383</u>	<u>-</u>
Net Position				
Net investment in capital assets	18,400,250	-	17,953,847	-
Restricted, expendable for				
Capital improvements	8,939,243	-	7,932,161	-
Pensions	80,173	-	102,804	-
Unrestricted	14,282,074	1,692,881	18,419,731	1,600,386
Total net position	<u>41,701,740</u>	<u>1,692,881</u>	<u>44,408,543</u>	<u>1,600,386</u>
Total liabilities and deferred inflows of resources and net position	<u>\$ 98,219,230</u>	<u>\$ 1,692,881</u>	<u>\$ 84,167,062</u>	<u>\$ 1,600,386</u>

Wyandot Memorial Hospital

Statements of Revenue, Expenses and Changes in Net Position

Years Ended December 31, 2019 and 2018

	2019		2018	
	Hospital	Component	Hospital	Component
Operating Revenue				
Net patient service revenue, net of provision for uncollectible accounts; 2019 - \$1,437,001; 2018 - \$1,425,741	\$ 49,070,922	\$ -	\$ 46,441,003	\$ -
Other	2,116,826	-	2,259,082	-
Total operating revenue	<u>51,187,748</u>	<u>-</u>	<u>48,700,085</u>	<u>-</u>
Operating Expenses				
Salaries and wages	18,661,464	-	17,304,666	-
Employee benefits	11,513,472	-	7,573,458	-
Purchased services and professional fees	9,780,443	-	9,023,778	-
Supplies and other	12,256,136	73,783	12,140,179	68,391
Insurance	337,779	-	313,112	-
Depreciation and amortization	3,082,462	-	2,438,206	-
Total operating expenses	<u>55,631,756</u>	<u>73,783</u>	<u>48,793,399</u>	<u>68,391</u>
Operating Loss	<u>(4,444,008)</u>	<u>(73,783)</u>	<u>(93,314)</u>	<u>(68,391)</u>
Nonoperating Revenue				
Interest income	851,160	87,425	524,604	5,935
Noncapital grants and gifts	50,598	78,853	110,658	69,691
Total nonoperating revenue	<u>901,758</u>	<u>166,278</u>	<u>635,262</u>	<u>75,626</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Gifts	(3,542,250)	92,495	541,948	7,235
Capital Gifts	<u>835,447</u>	<u>-</u>	<u>1,528,767</u>	<u>-</u>
Increase (Decrease) in Net Position	(2,706,803)	92,495	2,070,715	7,235
Net Position, Beginning of Year	<u>44,408,543</u>	<u>1,600,386</u>	<u>42,337,828</u>	<u>1,593,151</u>
Net Position, End of Year	<u>\$ 41,701,740</u>	<u>\$ 1,692,881</u>	<u>\$ 44,408,543</u>	<u>\$ 1,600,386</u>

Wyandot Memorial Hospital

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019		2018	
	Hospital	Component	Hospital	Component
Operating Activities				
Receipts from and on behalf of patients	\$ 47,995,384	\$ -	\$ 48,083,280	\$ -
Payments to suppliers and contractors	(21,710,023)	(73,783)	(21,409,152)	(68,391)
Payments to employees	(22,866,194)	-	(21,874,136)	-
Other receipts, net	1,611,199	-	1,555,538	-
Net cash provided by (used in) operating activities	<u>5,030,366</u>	<u>(73,783)</u>	<u>6,355,530</u>	<u>(68,391)</u>
Noncapital Financing Activities				
Noncapital grants and gifts	<u>50,598</u>	<u>78,853</u>	<u>110,658</u>	<u>69,691</u>
Capital and Related Financing Activities				
Purchase of capital assets, net of proceeds on disposals	(3,528,865)	-	(1,961,147)	-
Contributions for acquisition of property and equipment	835,447	-	1,528,767	-
Proceeds from disposal of capital assets	1,933	-	-	-
Net cash used in capital and related financing activities	<u>(2,691,485)</u>	<u>-</u>	<u>(432,380)</u>	<u>-</u>
Investing Activities				
Net change in assets limited as to use and investments	(1,800,552)	(94,263)	(5,697,822)	83,489
Income on investments	851,160	87,425	524,604	5,935
Net cash used in investing activities	<u>(949,392)</u>	<u>(6,838)</u>	<u>(5,173,218)</u>	<u>89,424</u>
Increase (Decrease) in Cash and Cash Equivalents	1,440,087	(1,768)	860,590	90,724
Cash and Cash Equivalents, Beginning of Year	<u>10,095,738</u>	<u>475,053</u>	<u>9,235,148</u>	<u>384,329</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11,535,825</u>	<u>\$ 473,285</u>	<u>\$ 10,095,738</u>	<u>\$ 475,053</u>
Reconciliation of Net Operating Loss to Net Cash Provided by (Used in) Operating Activities				
Operating loss	\$ (4,444,008)	\$ (73,783)	\$ (93,314)	\$ (68,391)
Depreciation and amortization	3,082,462	-	2,438,206	-
Provision for uncollectible accounts	1,437,001	-	1,425,741	-
Gain on disposal of capital assets	(1,933)	-	-	-
Changes in operating assets and liabilities				
Patient accounts receivable	(2,512,539)	-	216,536	-
Inventory	(209,946)	-	(192,280)	-
Prepaid expenses and other	(76,370)	-	(182,565)	-
Accounts payable	666,268	-	67,917	-
Net pension asset and liability	14,270,374	-	(7,098,617)	-
Net OPEB liability	3,112,760	-	956,202	-
Deferred outflows of resources - pensions	(5,734,720)	-	5,403,026	-
Deferred outflows of resources - OPEB	(769,186)	-	(854,781)	-
Deferred inflows of resources - pensions	(3,492,261)	-	3,772,743	-
Deferred inflows of resources - OPEB	(804,940)	-	844,132	-
Accrued compensated expenses and other	726,715	-	(18,717)	-
Estimated third-party settlements	(219,311)	-	(328,699)	-
Net cash provided by (used in) operating activities	<u>\$ 5,030,366</u>	<u>\$ (73,783)</u>	<u>\$ 6,355,530</u>	<u>\$ (68,391)</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets				
Cash and cash equivalents in current assets	\$ 11,411,323	\$ 473,285	\$ 9,971,218	\$ 475,053
Cash and cash equivalents in investments and assets limited as to use	<u>124,502</u>	<u>-</u>	<u>124,520</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 11,535,825</u>	<u>\$ 473,285</u>	<u>\$ 10,095,738</u>	<u>\$ 475,053</u>
Supplemental Cash Flows Information				
Capital asset acquisitions included in accounts payable	\$ 2,614,844	\$ -	\$ 92,847	\$ -

Wyandot Memorial Hospital

Notes to the Financial Statements

December 31, 2019 and 2018

Note 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 Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenue, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenue and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position, if applicable, when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Wyandot Memorial Hospital

Notes to the Financial Statements

December 31, 2019 and 2018

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 and deferred inflows and outflows of resources 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.

Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

Investments, Investment Income and Assets Limited as to Use

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

Assets limited as to use consist of assets restricted by donors and the Board of Governors.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered as net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Inventory

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method or market.

Wyandot Memorial Hospital

Notes to the Financial Statements

December 31, 2019 and 2018

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Hospital:

Land improvements	5-25 years
Buildings and building improvements	15-40 years
Building service equipment	5-20 years
Major movable equipment	3-25 years

Capital Assets Impairment

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the 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 ended December 31, 2019 and 2018.

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 balance sheets.

Compensated Absences

Paid time off is charged to operations when earned. The unused and earned benefits are recorded as a current liability in the financial statements. Employees accumulate vacation days at varying rates depending on years of service. Employees also earn holiday and sick leave benefits at a Hospital-determined rate for all employees. Employees may earn up to 64 hours of holiday time per year and may accumulate up to 128 hours of such time. Employees may earn up to 80 hours of sick time per year. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Hospital may convert accumulated sick leave to termination payments equal to one-quarter of the accumulated balance calculated at the employee's base pay rate as of the retirement date. Salaried employees also earn compensatory time for any hours worked in excess of eight hours in one day or 80 hours in one pay period, at the rate of time and one-half. Compensatory time may be accumulated up to a maximum of 80 hours.

Wyandot Memorial Hospital

Notes to the Financial Statements

December 31, 2019 and 2018

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, the Traditional Pension Plan and the Combined Plan (Plans). For purposes of measuring the net pension liability and net pension asset, and deferred outflows of resources and deferred inflows of resources related to 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 administered by the Ohio Public Employees Retirement System (the OPEB Plan). 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 balance sheets.

Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position are noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, and assets restricted for pensions. Unrestricted net position is the remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted.

Wyandot Memorial Hospital

Notes to the Financial Statements

December 31, 2019 and 2018

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Hospital's direct and indirect costs for services furnished under its charity care policy aggregated to approximately \$445,000 and \$532,000 in 2019 and 2018, respectively. The Hospital received approximately \$1,103,000 and \$1,290,000 in 2019 and 2018, respectively, from a state of Ohio uncompensated care fund to subsidize charity services provided under its charity care policy and is included in net patient service revenue. The Hospital also paid approximately \$532,000 and \$380,000 into the fund during 2019 and 2018, respectively.

The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

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.

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.

Effective March 1, 2015, the Hospital became 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.

Wyandot Memorial Hospital

Notes to the Financial Statements

December 31, 2019 and 2018

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Note 2: Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare. Effective March 2005, the Hospital received full accreditation from the Center for Medicare and Medicaid Services for the critical access hospital designation. As a critical access hospital, the Hospital receives reasonable, cost-based reimbursement for both inpatient and outpatient services provided to Medicare beneficiaries.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The Hospital is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid administrative contractor.

Approximately 36 percent and 38 percent of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid (including Managed Care) programs for the years ended December 31, 2019 and 2018, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Wyandot Memorial Hospital

Notes to the Financial Statements

December 31, 2019 and 2018

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

Note 3: Deposits, Investments, Assts Limited As to Use and Investment Income

Chapter 135 of the Ohio Uniform Depositor Act authorizes local governmental units to make deposits in any national bank located in the state, subject to inspection by the superintendent of financial institutions, as 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, by the treasurer or governing Board investing in these instruments.

The Hospital has designated six banks for the deposit of its funds. An investment policy has not been filed with the auditor of state on behalf of the Hospital. Investment of interim funds is limited to bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, no-load money market mutual funds and the Ohio subdivision's fund (STAR Ohio).

Statutes require the classification of funds held by the Hospital into three categories:

Active Funds - Active funds are required to be kept in a "cash" or "near cash" status for immediate use by the system. Such funds must be maintained either in depository accounts or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Inactive Funds - Inactive funds are not required for use within the current five-year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit, maturing not later than the end of the current period of designated depositories or as savings or deposit accounts, including but not limited to passbook accounts.

Interim Funds - Interim funds are funds which are not needed for immediate use but will be needed before the end of the current period of designation of deposit. Ohio law permits interim funds to be invested or deposited in the following securities:

1. Bonds, notes or other obligations guaranteed by the United States or those for which the faith of the United States is pledged for the payment of principal and interest
2. Bonds, notes, debentures or other obligations or securities issued by any federal governmental agency

Wyandot Memorial Hospital

Notes to the Financial Statements

December 31, 2019 and 2018

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions
4. Interim deposits in the eligible institutions applying for interim funds to be evidenced by time certificates of deposit, maturing not more than one year from date of deposit or by savings or deposit accounts, including, but not limited to passbook accounts
5. Bonds and other obligations of the state of Ohio
6. The Ohio state treasurer's investment pool (STAR Ohio)
7. Commercial paper and bankers' acceptances which meet the requirements established by Ohio Revised Code, SEC 135.142
8. Under limited circumstances, corporate debt interest in either of the two highest rating classifications by at least two nationally recognized rating agencies

Protection of the Hospital's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by single collateral pool established by the financial institution to secure the repayment of all public funds deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Hospital and must be purchased with the expectation that it will be held to maturity.

The Hospital's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. The Organization's deposit policy for custodial credit risk meets the compliance requirements of the provisions of state law. At December 31, 2019 and 2018, all of the Hospital's bank deposits (certificates of deposit, checking and savings accounts) in excess of FDIC insured amounts, which were approximately \$15,324,000 and \$12,257,000, respectively, were uninsured and collateralized by various securities. The component unit did not have any bank deposits that were uninsured and uncollateralized as of December 31, 2019 and 2018. The Organization believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. However, since all of the Organization's bank deposits are collateralized, the Organization believes it has maintained an acceptable risk level at these institutions.

Wyandot Memorial Hospital
Notes to the Financial Statements
December 31, 2019 and 2018

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Organization's policy for custodial credit risk meets the compliance requirements of the provisions of state law. At December 31, 2019 and 2018, the following investment securities at the component unit were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the component unit's name:

Type of Investment	Carrying Value	How Held
December 31, 2019		
U.S. Government agency bonds	\$ 1,070	Counterparty
December 31, 2018		
U.S. Government agency bonds	\$ 1,070	Counterparty

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's investment policy addresses interest rate risk and meets the compliance requirements of the provisions of state law. At the end of the year, the average maturities of investments at the component unit are as follows:

Type of Investment	Fair Value	Weighted Average Maturity
December 31, 2019		
U.S. Government agency bonds	\$ 1,070	12.13 years
December 31, 2018		
U.S. Government agency bonds	\$ 1,070	13.13 years

Credit Risk

The Organization's investment policy addresses credit risk and meets the compliance requirements of the provisions of state law. At the end of the year, the credit quality ratings of debt securities held at the component unit are as follows:

Type of Investment	Fair Value	Rating	Rating Organization
December 31, 2019			
U.S. Government agency bonds	\$ 1,070	AA+	Standard & Poor's
December 31, 2018			
U.S. Government agency bonds	\$ 1,070	AA+	Standard & Poor's

Wyandot Memorial Hospital
Notes to the Financial Statements
December 31, 2019 and 2018

Summary of Carrying Values

The carrying values of deposits and investments of the Organization are included in the balance sheets at December 31, 2019 and 2018, as follows:

	<u>2019</u>	<u>2018</u>
Carrying value		
Deposits		
Cash and cash equivalents	\$ 12,009,110	\$ 10,570,791
Certificates of deposit	46,997,392	45,102,577
Investments		
U.S. Government agency bonds	1,070	1,070
	<u>\$ 59,007,572</u>	<u>\$ 55,674,438</u>
Included in the following balance sheet captions		
Hospital		
Cash and cash equivalents	\$ 11,411,323	\$ 9,971,218
Short-term investments	15,478,687	8,134,870
Assets limited as to use	9,858,948	8,841,222
Long-term investments	20,565,733	27,126,742
Component Unit		
Cash and cash equivalents	473,285	475,053
Short-term investments	454,193	340,710
Long-term investments	765,403	784,623
	<u>\$ 59,007,572</u>	<u>\$ 55,674,438</u>

Investment Income

Investment income for the years ended December 31, 2019 and 2018, consists of:

	<u>2019</u>	<u>2018</u>
Hospital interest and dividend income	\$ 851,160	\$ 524,604
Component unit interest and dividend income	\$ 87,425	\$ 5,935

Note 4: Patient Accounts Receivable

Patient accounts receivable at December 31, 2019 and 2018, consists of:

	<u>2019</u>	<u>2018</u>
Patient accounts receivable	\$ 16,047,159	\$ 14,617,235
Less		
Allowance for uncollectible amounts	1,814,115	2,312,087
Allowance for contractual adjustments	8,027,024	7,174,666
	<u>\$ 6,206,020</u>	<u>\$ 5,130,482</u>

Wyandot Memorial Hospital
Notes to the Financial Statements
December 31, 2019 and 2018

The Hospital grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors consisted of:

	2019	2018
Medicare	30%	33%
Medicaid	6%	2%
Commercial insurance and HMOs	44%	56%
Self-pay	20%	9%
	100%	100%

Note 5: Capital Assets

Capital assets activity for the years ended December 31, 2019 and 2018, were:

	2019			
	Beginning Balance	Additions/ Transfers	Disposals	Ending Balance
Land	\$ 148,000	\$ 42,310	\$ -	\$ 190,310
Land improvements	1,383,858	-	(43,000)	1,340,858
Building and building improvements	23,478,667	1,085,963	(591,905)	23,972,725
Building service equipment	1,022,853	56,400	-	1,079,253
Major movable equipment	18,452,234	3,510,878	(1,458,042)	20,505,070
Construction in progress	-	1,355,311	-	1,355,311
	44,485,612	6,050,862	(2,092,947)	48,443,527
Less accumulated depreciation				
Land improvements	741,484	119,214	(43,000)	817,698
Building and building improvements	11,156,951	1,338,099	(584,421)	11,910,629
Building service equipment	853,533	18,225	-	871,758
Major movable equipment	13,686,950	1,606,924	(1,465,526)	13,828,348
	26,438,918	3,082,462	(2,092,947)	27,428,433
Capital assets, net	\$ 18,046,694	\$ 2,968,400	\$ -	\$ 21,015,094

Wyandot Memorial Hospital
Notes to the Financial Statements
December 31, 2019 and 2018

	2018			
	Beginning Balance	Additions/ Transfers	Disposals	Ending Balance
Land	\$ 148,000	\$ -	\$ -	\$ 148,000
Land improvements	1,291,057	92,801	-	1,383,858
Building and building improvements	23,221,447	257,220	-	23,478,667
Building service equipment	1,022,853	-	-	1,022,853
Major movable equipment	17,296,392	1,703,973	(548,131)	18,452,234
	<u>42,979,749</u>	<u>2,053,994</u>	<u>(548,131)</u>	<u>44,485,612</u>
Less accumulated depreciation				
Land improvements	641,515	99,969	-	741,484
Building and building improvements	10,278,710	878,241	-	11,156,951
Building service equipment	836,878	16,655	-	853,533
Major movable equipment	12,791,740	1,443,341	(548,131)	13,686,950
	<u>24,548,843</u>	<u>2,438,206</u>	<u>(548,131)</u>	<u>26,438,918</u>
Capital assets, net	<u>\$ 18,430,906</u>	<u>\$ (384,212)</u>	<u>\$ -</u>	<u>\$ 18,046,694</u>

Note 6: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$2,021,702. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Wyandot Memorial Hospital
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Activity in the Hospital's accrued employee health claims liability during 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 260,000	\$ 260,000
Current year claims incurred and changes in estimates for claims incurred in prior years	2,137,675	1,830,849
Claims and expenses paid	<u>(2,057,675)</u>	<u>(1,830,849)</u>
Balance, end of year	<u>\$ 340,000</u>	<u>\$ 260,000</u>

Note 8: Accrued Liabilities and Other

Accrued expenses included in current liabilities at December 31, 2019 and 2018, consisted of:

	<u>2019</u>	<u>2018</u>
Compensation and related items	\$ 726,573	\$ 589,253
Pension	920,007	555,315
Employee health claims	340,000	260,000
Insurance premiums and accruals	<u>465,659</u>	<u>504,883</u>
	<u>\$ 2,452,239</u>	<u>\$ 1,909,451</u>

Note 9: Multiple-employer Plans

Defined Benefit Pension Plans

Plan Description

The Hospital contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees. All employees are required to join OPERS. OPERS administers two defined benefit pension plans as described below:

1. The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
2. The Combined Plan – a cost-sharing, multi-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 the Financial Statements

December 31, 2019 and 2018

OPERS issues a stand-alone financial report, these reports may be obtained by contacting the organization as follows:

OPERS
277 East Town Street
Columbus, Ohio 43215-4642
Telephone 800.222.7377
www.opers.org

Benefits Provided

Plan benefits for OPERS are established under Chapter 145 of the Ohio Revised Code (ORC). Members are categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire on January 7, 2013, and those eligible to retire no later than five years after that date comprise transition group A. Members who have 20 years of service credit prior to January 7, 2013, or are eligible to retire no later than ten years after January 7, 2013, are included in transition group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013. Additionally, OPERS has three separate divisions with varying degrees of benefits: (1) state and local, (2) law enforcement and (3) public safety. The Hospital does not have any employees included in law enforcement or the public safety division.

Benefits for state and local members are calculated on the basis of age, final average salary 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 five years of service. For groups A and B, the annual benefit is based on 2.2 percent of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5 percent for years of service in excess of 30 years. For group C the annual benefit applies a factor of 2.2 percent for the first 35 years and a factor of 2.5 percent for the years of service in excess of 35. Final average salary represents the average of the three highest years of earnings over a member's career for groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount.

Wyandot Memorial Hospital

Notes to the Financial Statements

December 31, 2019 and 2018

OPERS offers a combined plan that has elements of both a defined benefit and defined contribution plan. In the Combined Plan, employee contributions are invested in self-directed investments and the employer contribution is used to fund a reduced defined benefit. Eligibility requirements under the combined Plan for age and years of service are identical to the defined benefit Plan described earlier. The benefit formula for the defined benefit component of the plan for state and local members in transition groups A and B applies a factor of 1.0 percent to the member's final average salary for the first 30 years of service. A factor of 1.25 percent is applied to years of service in excess of 30. The benefit formula for transition group C applies a factor of 1.0 percent to the member's final average salary and the first 35 years of service and a factor of 1.25 percent is applied to years in excess of 35. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit.

A cost-of-living adjustment is provided each year and is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Only active employees of the Hospital participate and are covered by the plan. At December 31, 2019 and 2018, approximately 380 and 370 employees, respectively, participated and were covered by the OPERS Pension Plans.

Contributions

The ORC provides OPERS statutory authority over employee and employer contributions. The required statutorily determined contribution rates, respectively of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The statutorily required contribution rates for the employee and the Hospital are as follows for the years ended December 31, 2019 and 2018:

	<u>OPERS</u>
Employee	10%
Hospital	14%

The Plan Administrator determines the allocation of the contributions between the defined benefit retirement plans and the OPEB plan. During 2019 and 2018, all employer contributions to OPERS for members participating in the Traditional and Combined Plan were allocated to the respective retirement plan.

Wyandot Memorial Hospital
Notes to the Financial Statements
December 31, 2019 and 2018

For the years ended December 31, 2019 and 2018, contributions to the defined benefit pension plans from the Hospital were as follows:

	OPERS	
	2019	2018
Traditional Plan	\$ 2,260,438	\$ 1,964,220
Combined Plan	44,673	40,404
Total	\$ 2,305,111	\$ 2,004,624

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

The net pension asset and liability were measured as of December 31, 2018 and 2017, and the total pension liability used to calculate the net pension asset or liability were determined by actuarial valuations as of those dates. The Hospital reported an asset and a liability for OPERS of \$80,173 and \$30,793,941, respectively, as of December 31, 2019, and \$102,804 and \$16,546,198, for 2018, respectively, for its proportionate share of the total pension asset and liability. The Hospital's proportion of the net pension asset and liability was based on the Hospital's contributions to the Plans relative to the contributions of all participating employers to the Plans for the respective measurement periods. At December 31, 2019, the Hospital's proportion was 0.112436 percent for OPERS Traditional Pension Plan and 0.071697 percent for OPERS Combined Plan. At December 31, 2018, the Hospital's proportion was 0.105470 percent for OPERS Traditional Pension Plan and 0.075518 percent for OPERS Combined Plan. The Hospital's changes in proportion between the two years were 0.0070 percent and (0.0038) percent for the OPERS Traditional Pension Plan and OPERS Combined Plan, respectively.

For the years ended December 31, 2019 and 2018, the Hospital recognized pension expense related to the defined benefit pension plans of \$7,512,908 and \$4,081,776, respectively, as follows:

	Pension Expense	
	2019	2018
Traditional Plan	\$ 7,491,819	\$ 4,066,728
Combined Plan	21,089	15,048
Total	\$ 7,512,908	\$ 4,081,776

Wyandot Memorial Hospital

Notes to the Financial Statements

December 31, 2019 and 2018

At December 31, 2019 and 2018, the Hospital reported deferred outflows of resources and deferred inflows of resources 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
Differences 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 investments	4,179,600	-	17,271	-	4,196,871	-
Change in assumption	2,680,688	-	17,906	-	2,698,594	-
Change in the Hospital's proportionate share	890,612	-	-	5,903	890,612	5,903
Hospital's contributions subsequent to the measurement date	2,260,438	-	44,673	-	2,305,111	-
	<u>\$ 10,012,759</u>	<u>\$ 404,342</u>	<u>\$ 79,850</u>	<u>\$ 38,648</u>	<u>\$ 10,092,609</u>	<u>\$ 442,990</u>

	2018					
	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
Differences between expected and actual experience	\$ 16,898	\$ 326,073	\$ -	\$ 30,626	\$ 16,898	\$ 356,699
Net difference between projected and actual earnings on pension plan investments	-	3,552,251	-	16,220	-	3,568,471
Change in assumption	1,977,381	-	8,984	-	1,986,365	-
Change in the Hospital's proportionate share	350,002	-	-	10,081	350,002	10,081
Hospital's contributions subsequent to the measurement date	1,964,220	-	40,404	-	2,004,624	-
	<u>\$ 4,308,501</u>	<u>\$ 3,878,324</u>	<u>\$ 49,388</u>	<u>\$ 56,927</u>	<u>\$ 4,357,889</u>	<u>\$ 3,935,251</u>

At December 31, 2019, the Hospital reported \$2,260,438 and \$44,673 for the traditional and combined plans, respectively, as deferred outflows of resources related to pensions resulting from the Hospital's contributions subsequent to the measurement date which will be recognized as a decrease (increase) in the net pension liability (asset) during the year ending December 31, 2020.

At December 31, 2018, the Hospital reported \$1,964,220 and \$40,404 for the traditional and combined plans, respectively, as deferred outflows of resources related to pensions resulting from the Hospital's contributions subsequent to the measurement date which were recognized as a decrease (increase) in the net pension liability (asset) during the year ended December 31, 2019.

Wyandot Memorial Hospital
Notes to the Financial Statements
December 31, 2019 and 2018

Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2019, related to pension plans will be recognized in pension expense (revenue) as follows:

	Traditional Plan	Combined Plan	Total Defined Benefit Plans
2020	\$ 3,292,178	\$ 1,815	\$ 3,293,993
2021	1,724,235	(1,635)	1,722,600
2022	387,743	(1,271)	386,472
2023	1,943,823	4,136	1,947,959
2024	-	(2,963)	(2,963)
Thereafter	-	(3,553)	(3,553)
	\$ 7,347,979	\$ (3,471)	\$ 7,344,508

Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

OPERS	Traditional Plan	Combined Plan
Valuation date	December 31, 2018	December 31, 2018
Experience study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age	Individual entry age
Wage inflation	3.25%	3.25%
Salary increases	3.25% - 10.75% including inflation at 3.25%	3.25% - 8.25% including inflation at 3.25%
Investment rate of return	7.2%	7.2%
Cost-of-living adjustments	Pre 1/7/2013 retirees: 3.00% simple Post 1/7/2013 retirees: 3.00% simple through 2018 Post 2018: 2.15% simple	Pre 1/7/2013 retirees: 3.00% simple Post 1/7/2013 retirees: 3.00% simple through 2018 Post 2018: 2.15% simple

Wyandot Memorial Hospital
Notes to the Financial Statements
December 31, 2019 and 2018

The total pension liability in the December 31, 2017, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

OPERS	Traditional Plan	Combined Plan
Valuation date	December 31, 2017	December 31, 2017
Experience study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age	Individual entry age
Wage inflation	3.25%	3.25%
Salary increases	3.25% - 10.75% including inflation at 3.25%	3.25% - 8.25% including inflation at 3.25%
Investment rate of return	7.50%	7.50%
Cost-of-living adjustments	Pre 1/7/2013 retirees: 3.00% simple Post 1/7/2013 retirees: 3.00% simple through 2018 Post 2018: 2.15% simple	Pre 1/7/2013 retirees: 3.00% simple Post 1/7/2013 retirees: 3.00% simple through 2018 Post 2018: 2.15% simple

Mortality rates for OPERS are the RP-2014 mortality table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used.

The long-term expected rate of return on OPERS defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return were 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 allocation percentage, adjusted for inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	OPERS Defined Benefit Plans	
	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	23.00%	2.79%
International equities	19.00%	6.21%
Fixed income	10.00%	4.90%
Real estate	10.00%	10.81%
Private equities	20.00%	7.83%
Other investments	18.00%	5.50%
	100.00%	5.95%

Wyandot Memorial Hospital
Notes to the Financial Statements
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Discount Rate

The discount rate used to measure the total pension liability (asset) was 7.2 percent and 7.5 percent for the years ended December 31, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 (asset).

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability and Net Pension Asset to Changes in the Discount Rate

The Hospital's proportionate share of the net pension liability and net pension asset has been calculated using a discount rate of 7.2 percent. The following presents the Hospital's proportionate share of the net pension liability and net pension asset calculated using a discount rate 1 percent higher and 1 percent lower than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Traditional Plan Net Pension Liability	\$ 45,494,606	\$ 30,793,941	\$ 18,580,049
Combined Plan Net Pension Liability	(26,528)	(80,301)	(119,017)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Payable to the Pension Plans

At December 31, 2019 and 2018, the Hospital had a payable for its employer share of approximately \$920,000 and \$550,000, respectively, for an outstanding amount of statutorily required contributions to the pension plans for the respective years ended.

Wyandot Memorial Hospital

Notes to the Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018, for contributions to the Member-Directed Plan was approximately \$80,000 and \$50,000, 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.

Note 10: Other Postemployment Benefits (OPEB)

Plan Description

The Hospital contributes to the Ohio Public Employees Retirement System (OPERS). OPERS is a statewide cost-sharing multiple-employer retirement plan that offers pension and other postemployment benefits (OPEB) covering substantially all faculty and staff. OPERS is administered by the plan's board of trustees appointed by the governor of Ohio or by plan member elections. The legislature of the state of Ohio maintains the authority to establish and amend benefits for both plans as authorized by Chapters 145 and 3307 of the Ohio Revised Code. OPERS issues a publicly available financial report.

Wyandot Memorial Hospital

Notes to the Financial Statements

December 31, 2019 and 2018

Benefits Provided

OPERS provides post-employment health care benefits to eligible members of the Traditional, Combined and Member-Directed pension plans with OPEB funding assets accumulated in a single health care trust (the 115 Trust). Coverage under the current program includes hospitalization, medical expenses, and prescription drugs. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries.

Beginning in 2016, OPERS Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their Health Reimbursement Account (HRA) that can be used to reimburse eligible health care expenses.

Contributions

The Ohio state legislature as authorized by Chapters 145 and 3307 of the Ohio Revised Code has the authority to establish and amend the contribution requirements of the Hospital for OPERS. Under Ohio law, funds to pay health care costs are permitted but not mandated to be deducted from employer contributions.

Under OPERS, for employees of the Hospital the statutorily required employee contribution rate for the plan years ended December 31, 2018 and 2017, was 10 percent of their annual pay. The Hospital's statutorily required employer contribution rate including pensions and OPEB for the fiscal years ended December 31, 2019 and 2018, was 14 percent of annual payroll, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The plan administrator determines the allocation of the contributions between the defined benefit retirement plans and the OPEB plan. During 2019 and 2018, all statutorily required employer contributions to OPERS for members participating in the Traditional and Combined Plan were allocated to the respective retirement plan.

Wyandot Memorial Hospital
Notes to the Financial Statements
December 31, 2019 and 2018

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

At December 31, 2019 and 2018, the Hospital reported a liability of \$14,444,401 and \$11,331,641 for its proportionate share of the OPERS net OPEB liabilities measured as of December 31, 2018 and 2017. The total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of the respective date. The Hospital's proportions of the net OPEB liabilities for OPERS was based on actual Hospital employer contributions to the Plan during the respective measurement period in relation to total employer contributions to the Plan for the same period. At December 31, 2019 and 2018, the Hospital's proportion of the OPERS net OPEB liability was 0.110790 percent and 0.104350 percent, respectively.

For the years ended December 31, 2019 and 2018, the Hospital recognized OPEB expenses for OPERS of 1,538,634 and \$966,443, respectively. At December 31, 2019 and 2018, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019	
	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,891	\$ 39,192
Net difference between projected and actual earnings on pension plan investments	662,190	-
Change in assumption	465,705	-
Change in the Hospital's proportionate share	468,994	-
Hospital's contributions subsequent to the measurement date	22,187	-
	<u>\$ 1,623,967</u>	<u>\$ 39,192</u>

	2018	
	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,827	\$ -
Net difference between projected and actual earnings on pension plan investments	-	844,132
Change in assumption	825,064	-
Hospital's contributions subsequent to the measurement date	20,890	-
	<u>\$ 854,781</u>	<u>\$ 844,132</u>

Wyandot Memorial Hospital

Notes to the Financial Statements

December 31, 2019 and 2018

At December 31, 2019 and 2018, the Hospital reported \$22,187 and \$20,890, respectively, in deferred outflows of resources related to OPEB resulting from the Hospital's contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at December 31, 2019, will be recognized in the OPEB expense as follows:

	OPEB
2020	\$ 748,698
2021	364,170
2022	116,119
2023	333,601
	\$ 1,562,588

Actuarial Assumptions

The total OPEB liability in the December 31, 2017, actuarial valuations rolled forward to the measurement date of December 31, 2018, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Experience Study	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal
Single Discount Rate	3.96%
Investment rate of return	6.00%, net of OPEB Plan investment expense, including inflation
Municipal Bond Rate	3.71%
Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75%, including wage inflation at 3.25%
Health Care Cost Trend Rates	10.0% initial for 2019, decreasing 0.675% per year to an ultimate rate of 3.25% in 2029

Mortality rates were based on the RP-2014 Employees and Healthy Annuitant Mortality tables, as appropriate with adjustments for mortality improvements based on the MP-2015 mortality improvement scale.

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of a five year period actuarial experience study ended December 31, 2015.

Wyandot Memorial Hospital
Notes to the Financial Statements
December 31, 2019 and 2018

The total OPEB liability in the December 31, 2016, actuarial valuations rolled forward to the measurement date of December 31, 2017, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Experience Study	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal
Single Discount Rate	3.85%
Investment rate of return	6.5%, net of OPEB Plan investment expense, including inflation
Municipal Bond Rate	3.31%
Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75%, including wage inflation at 3.25%
Health Care Cost Trend Rates	7.5% initial for 2018, decreasing 0.425% per year to an ultimate rate of 3.25% in 2028

Mortality rates were based on the RP-2014 Employees and Healthy Annuitant Mortality tables, as appropriate with adjustments for mortality improvements based on the MP-2015 mortality improvement scale.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of a five year period actuarial experience study ended December 31, 2015.

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

		OPEB	
December 31, 2019	Asset Class	Allocation	Long-Term Expected Rate of Return
	Fixed income	34.0%	2.42%
	Domestic equities	21.0%	6.21%
	REITs	6.0%	5.98%
	International equities	22.0%	7.83%
	Other investments	17.0%	5.57%
		100.0%	

		OPEB	
December 31, 2018	Asset Class	Allocation	Long-Term Expected Rate of Return
	Fixed income	34.0%	1.88%
	Domestic equities	21.0%	6.37%
	REITs	6.0%	5.91%
	International equities	22.0%	7.88%
	Other investments	17.0%	5.39%
		100.0%	

Wyandot Memorial Hospital

Notes to the Financial Statements

December 31, 2019 and 2018

Discount Rate

The discount rates used to measure the total OPEB liabilities was 3.96 and 3.85 percent for OPERS for the plan years ended December 31, 2018 and 2017, respectively. For OPERS, a single discount rate of 3.96 and 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2018 and 2017, respectively. 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). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 and 6.50 percent and a municipal bond rate of 3.71 and 3.31 percent for the plan years ended December 31, 2018 and 2017, respectively. The projection of cash flows used to determine the discount rate assumed that participating employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient 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.

Sensitivity of the Hospital's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The Hospital's proportionate share of the net OPEB liability has been calculated using the discount rate of 3.96 percent. The following presents the Hospital's proportionate share of the net OPEB liability calculated using a discount rate 1 percent higher and 1 percent lower than the current discount rate:

	1% Decrease	2019 Discount Rate	1% Increase
	2.96%	3.96%	4.96%
Hospital's proportionate share of the net pension liability - OPEB	\$ 15,054,575	\$ 14,444,801	\$ 11,235,214
<hr/>			
	1% Decrease	2018 Discount Rate	1% Increase
	2.85%	3.85%	4.85%
Hospital's proportionate share of the net pension liability - OPEB	\$ 15,054,575	\$ 11,331,641	\$ 8,319,826

Wyandot Memorial Hospital

Notes to the Financial Statements

December 31, 2019 and 2018

The Hospital's proportionate share of the net OPEB liability has been calculated using initial health care trend rates of 10.0 percent and 7.5 percent for the plan years ended December 31, 2018 and 2017, respectively. The following presents the Hospital's proportionate share of the net OPEB liability calculated using health care cost trend rates 1 percent higher and 1 percent lower than the current health care cost trend rates:

	<u>1% Decrease</u>	<u>2019 Current Discount Rate</u>	<u>1% Increase</u>								
Hospital's proportionate share of the net pension liability - OPEB	\$ 13,884,203	\$ 14,444,801	\$ 15,089,598								
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="width: 15%; text-align: center;"><u>1% Decrease</u></th> <th style="width: 15%; text-align: center;"><u>2018 Current Discount Rate</u></th> <th style="width: 15%; text-align: center;"><u>1% Increase</u></th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">Hospital's proportionate share of the net pension liability - OPEB</td> <td style="text-align: right;">\$ 10,841,965</td> <td style="text-align: right;">\$ 11,331,641</td> <td style="text-align: right;">\$ 11,837,464</td> </tr> </tbody> </table>					<u>1% Decrease</u>	<u>2018 Current Discount Rate</u>	<u>1% Increase</u>	Hospital's proportionate share of the net pension liability - OPEB	\$ 10,841,965	\$ 11,331,641	\$ 11,837,464
	<u>1% Decrease</u>	<u>2018 Current Discount Rate</u>	<u>1% Increase</u>								
Hospital's proportionate share of the net pension liability - OPEB	\$ 10,841,965	\$ 11,331,641	\$ 11,837,464								

OPEB Plan's Fiduciary net Position

Detailed information about OPERS fiduciary net position is available in the separately issued financial report. The financial report for OPERS may be obtained online at www.opers.org or by writing to Ohio Public Employees Retirement System, Director-Finance, 277 East Town Street, Columbus, Ohio 43215-4642.

OPEB Plan's Payable to OPERS

At December 31, 2019, the Hospital reported no payables to OPERS for the outstanding amounts of contributions to the OPEB plan required for the year ended December 31, 2019.

Note 11: Subsequent Events

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.

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act (CARES Act)*, as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19. The *CARES Act* provides for a provider relief fund to be used to support health care related expenses or lost revenue attributable to COVID-19. The Hospital received payments of approximately \$4,960,000 related to the *CARES Act* in April and May 2020. Further, on April 27, 2020, the Hospital received a loan in the amount of approximately \$3,960,000 pursuant to the Paycheck Protection Program. The Hospital anticipates using all of the proceeds to make eligible payments and, therefore, expects substantially all of the loan will be forgiven.

Wyandot Memorial Hospital
Notes to the Financial Statements
December 31, 2019 and 2018

Note 12: Commitments and Contingencies

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in Note 6.

Pension and Other Postretirement Benefit Obligations

The Hospital has a noncontributory defined benefit pension and postretirement health care plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Commitments

As of December 31, 2019, the Hospital has construction commitments of approximately \$10,670,000.

Required Supplementary Information

Wyandot Memorial Hospital

Schedule of Hospital's Proportionate Share of the Net Pension Liability and Asset

Traditional Defined Benefit Pension Plan	2019	2018	2017	2016	2015
Hospital's proportion of the net pension liability	0.11%	0.11%	0.10%	0.10%	0.09%
Hospital's proportionate share of the net pension liability	\$ 30,793,941	\$ 16,546,198	\$ 23,576,892	\$ 17,496,552	\$ 11,134,824
Hospital's covered employee payroll	14,030,143	13,919,821	13,428,180	12,571,948	11,318,483
Hospital's proportionate share of the net pension liability as a percentage of its covered employee payroll	219.48%	118.87%	175.58%	139.17%	98.38%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%	86.45%
Combined Defined Benefit Pension Plan	2019	2018	2017	2016	2015
Hospital's proportion of the net pension asset	0.07%	0.08%	0.06%	0.06%	0.05%
Hospital's proportionate share of the net pension asset	\$ 80,173	\$ 102,804	\$ 34,881	\$ 29,372	\$ 17,596
Hospital's covered employee payroll	288,600	309,286	243,952	219,679	161,341
Hospital's proportionate share of the net pension asset as a percentage of its covered employee payroll	27.78%	33.24%	14.30%	13.37%	10.91%
Plan fiduciary net position as a percentage of the total pension asset	126.64%	137.28%	116.55%	116.90%	114.83%

Schedule of Hospital Pension Contributions

Traditional Defined Benefit Pension Plan	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 2,260,438	\$ 1,964,220	\$ 1,809,577	\$ 1,611,382	\$ 1,508,634
Contributions in relation to the statutorily required contributions	(2,260,438)	(1,964,220)	(1,809,577)	(1,611,382)	(1,508,634)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered employee payroll	16,145,986	14,030,143	13,919,821	13,428,180	12,571,948
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	12.00%	12.00%
Combined Defined Benefit Pension Plan	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 44,673	\$ 40,404	\$ 40,207	\$ 29,274	\$ 26,361
Contributions in relation to the statutorily required contributions	(44,673)	(40,404)	(40,207)	(29,274)	(26,361)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered employee payroll	319,093	288,600	309,286	243,952	219,679
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	12.00%	12.00%

The amounts presented in the Schedule of Hospital's Proportionate Share of the Net Pension (Asset) Liability are presented as of the measurement date for the respective reporting periods. The amounts presented in the Schedule of Hospital Contributions are presented as of the end of the respective reporting periods.

Wyandot Memorial Hospital

Schedule of Hospital's Proportionate Share of the Net OPEB Liability Other Post-Employment Benefits (Cost-Sharing Plan – GASB 75)

OPEB	2019	2018
Hospital's proportion of the net pension liability	0.110790%	0.104350%
Hospital's proportionate share of the net pension liability	\$ 14,444,401	\$ 11,331,641
Hospital's covered-employee payroll	14,840,986	14,727,529
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	97.33%	76.94%
Plan fiduciary net position as a percentage of the total pension liability	46.33%	54.14%

Schedule of Hospital OPEB Contributions Other Post-Employment Benefits (Cost-Sharing Plan – GASB 75)

OPEB	2019	2018
Statutorily required contribution	\$ 22,187	\$ 20,890
Contributions in relation to the statutorily required contributions	22,187	20,890
Contributions deficiency (excess)	\$ -	\$ -
Hospital's covered-employee payroll	\$ 17,019,757	\$ 14,840,986
Contributions as a percentage of covered-employee payroll	0.13%	0.14%

The amounts presented in the Schedule of Hospital's Proportionate Share of the Net OPEB Liability are presented as of the measurement date for the respective reporting periods. The amounts presented in the Schedule of Hospital Contributions are presented as of the end of the respective reporting periods.

Notes to Schedule:

Defined Benefit Pension Plans

Changes of Benefit Terms

Amounts reported in 2017 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.

Wyandot Memorial Hospital

- 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, 2016, used for the Hospital's 2017 fiscal year. Amounts reported in the Hospital's 2017 fiscal year for the OPERS pension plans reflect the following change of assumptions from the amounts reported for the 2016 fiscal year based on the experience study:

- Actuarially assumed expected rate of investment return decreased from 8.0 percent to 7.5 percent.
- Actuarially assumed wage inflation decreased from 3.75 percent to 3.25 percent.
- Projected salary increases range changed from 4.25 percent – 10.05 percent to 3.25 percent – 10.75 percent for the Traditional Pension Plan and changed from 4.25 percent – 8.05 percent to 3.25 percent – 8.25 percent.
- Mortality assumptions increased to reflect longer life expectancies.

Defined Benefit Postemployment Benefits other than Pensions

Changes of Assumptions - 2019

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, 2017:

- Wage inflation assumption decreased from 3.75 percent to 3.25 percent.
- Health care cost trend rate decreased from 10.00 percent, before levelling off to 3.25 percent in 2029.
- Mortality assumptions increased to reflect longer life expectancies.

Changes of Assumptions - 2018

Amounts reported in 2018 for OPERS reflect the following changes in assumptions based on an experience study for the five-year period ending December 31, 2016:

- Wage inflation assumption decreased from 3.75 percent to 3.25 percent.
- Health care cost trend rate decreased from 9.50 percent, before levelling off to 3.75 percent in 2026 to 7.50 percent, before levelling off to 3.25 percent.
- Mortality assumptions increased to reflect longer life expectancies.

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

Independent Auditor's Report

Board of Governors
Wyandot Memorial Hospital
Upper Sandusky, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Wyandot Memorial Hospital (Hospital), which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2020, which contained an emphasis of matter paragraph regarding the effects of COVID-19 on the Hospital.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Fort Wayne, Indiana
June 1, 2020

OHIO AUDITOR OF STATE KEITH FABER



WYANDOT MEMORIAL HOSPITAL

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 2, 2020**