

ST. CROIX COUNTY HEALTH CARE CAMPUS

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021



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INDEPENDENT AUDITORS' REPORT

Human Services Board
St. Croix County Health Care Campus
New Richmond, Wisconsin

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of St. Croix County Nursing Home (St. Croix County Health Care Campus), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise St. Croix County Health Care Campus' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of St. Croix County Health Care Campus, as of December 31, 2021, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of St. Croix County Health Care Campus' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Croix County Health Care Campus' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2021, on our consideration of St. Croix County Health Care Campus' 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 St. Croix County Health Care Campus' 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 St. Croix County Health Care Campus' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Eau Claire, Wisconsin
July 29, 2021

**ST. CROIX COUNTY HEALTH CARE CAMPUS
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 798,411
Resident Receivables, Less Allowance for Uncollectible Accounts of Approximately \$27,000	<u>490,394</u>
Total Current Assets	1,288,805

RESTRICTED ASSETS

Restricted Under Resident Trust Agreement	8,692
Restricted by Donors	28,963
Wisconsin Retirement System Pension Asset	<u>946,575</u>
Total Restricted Assets	984,230

CAPITAL ASSETS, NET

18,342,737

Total Assets

20,615,772

DEFERRED OUTFLOWS OF RESOURCES

Wisconsin Retirement System Pension Related	<u>1,567,284</u>
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Total Assets and Deferred Outflows of Resources

\$ 22,183,056

See accompanying Notes to Financial Statements.

**ST. CROIX COUNTY HEALTH CARE CAMPUS
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2021**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES

Accounts Payable - Trade	\$ 107,695
Accrued Salaries, Wages and Benefits	32,743
Accrued Compensated Absences	116,038
Security Deposits Payable	62,524
Total Current Liabilities	319,000

Resident Funds Payable	8,692
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Noncurrent Accrued Compensated Absences	298,140
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Total Liabilities	625,832
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DEFERRED INFLOWS OF RESOURCES

Wisconsin Retirement System Pension Related	2,072,751
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NET POSITION

Net Investment in Capital Assets	18,342,737
Restricted by Donors	28,963
Restricted for Pension Plan	946,575
Unrestricted	166,198
Total Net Position	19,484,473

Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 22,183,056
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**ST. CROIX COUNTY HEALTH CARE CAMPUS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2021**

OPERATING REVENUES

Net Resident Service Revenue (Net of Provision for Bad Debt of \$-0-)	\$ 4,974,968
Other Operating Revenues	<u>15,269</u>
Total Operating Revenues	4,990,237

OPERATING EXPENSES

Daily Resident Services	2,862,056
Special Services	1,925,506
General Service	928,862
Other Cost Centers	35,000
Administrative Services	459,120
Depreciation	<u>587,444</u>
Total Expenses	<u>6,797,988</u>

OPERATING LOSS (1,807,751)

NONOPERATING GAINS (LOSSES)

Supplemental Payment Revenue	482,159
Supplemental Payment Revenue - COVID 19	1,508,495
Other Federal Payments	331,004
Insurance Reimbursement	7,861
Interest Revenue	971
Restricted Contributions	2,808
Restricted Funds Expended	<u>(1,280)</u>
Net Nonoperating Gains	<u>2,332,018</u>

INCREASE IN NET POSITION 524,267

Net Position - Beginning of Year 18,960,206

NET POSITION - END OF YEAR \$ 19,484,473

**ST. CROIX COUNTY HEALTH CARE CAMPUS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Residents and Third-Party Payors	\$ 5,071,333
Cash Paid to Employees	(4,825,624)
Cash Paid to Suppliers	(1,556,198)
Net Cash Used by Operating Activities	<u>(1,310,489)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Received from Supplement Payment Program	813,163
Cash Received from Supplement Payment Program - COVID	1,508,495
Cash Received from (Repayments to) County General	(200,008)
Net Change in Restricted Funds	2,298
Other Non-Operating Income	7,861
Net Cash Provided by Noncapital Financing Activities	<u>2,131,809</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash Paid for Acquisition of Capital Assets	<u>(7,609)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Earnings on Investments	<u>971</u>
Net Cash Provided by Investing Activities	<u>971</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

814,682

Cash and Cash Equivalents - Beginning of Year

21,384

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 836,066

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Loss	\$ (1,807,751)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	587,444
Change in WRS Pension Asset	(396,659)
Change in WRS Pension Deferred Outflow	(280,991)
Change in WRS Pension Deferred Inflow	425,207
(Increase) Decrease in Current Assets:	
Resident Receivables	(91,570)
Other Receivable	157,166
Increase (Decrease) in Current Liabilities:	
Accounts Payable	62,618
Accrued Salaries, Wages and Benefits	4,177
Accrued Compensated Absences	14,370
Security Deposit Payable	15,500
Net Cash Used by Operating Activities	<u><u>\$ (1,310,489)</u></u>

RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	\$ 798,411
Restricted Cash:	
Restricted Assets - Restricted Under Resident Trust Agreement	8,692
Restricted Assets - Restricted by Donors	28,963
Total Cash and Cash Equivalents - End of Year	<u><u>\$ 836,066</u></u>

See accompanying Notes to Financial Statements.

**ST. CROIX COUNTY HEALTH CARE CAMPUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

St. Croix County Health Care Campus (the Home) is owned and operated as an enterprise fund by St. Croix County, Wisconsin (the County) as a stand-alone entity, tax exempt, licensed nursing home. The Home is directed by a governing board appointed by the County Board of Supervisors. It is the intent of the County Board that the costs (expenses, including depreciation) of providing services to the residents on a continuing basis be financed or recovered primarily through user charges. During the year ended December 31, 2021, the Home had 50 licensed beds.

The Home is subject to regulation by the Wisconsin Department of Human Services. Such regulation includes the Home's accounting practices and its rate setting for residents under the Title XIX Wisconsin Medical Assistance Program.

The Home maintains its financial records in accordance with the *Nursing Home Accounting and Reporting Manual* as required by the Wisconsin Department of Human Services. The accounting practices therein conform to U.S. generally accepted accounting principles. The Home uses the accrual basis of accounting. Under this basis, revenues are recognized when they are earned and expenses are recognized when they are incurred.

For financial reporting purposes, the Home has included all funds, organizations, agencies, boards, commissions, and authorities. The Home has also considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Home are such that exclusion would cause the Home's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Home. The Home has no component units, which meet the Governmental Accounting Standards Board criteria.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Home uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis, using the economic resources measurement focus. Based on Government Accounting Standards Board (GASB) Codification Topic 1600, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended.

**ST. CROIX COUNTY HEALTH CARE CAMPUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and checking and savings accounts.

Accounts Receivable

The Home provides an allowance for uncollectible accounts based on the allowance method using management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts past due are individually analyzed for collectability. Amounts for which no payments have been received are written off using management's judgment on a per account basis. In addition, an allowance is estimated for other accounts based on historical experience of the Home. At December 31, 2021, the allowance for uncollectible accounts was approximately \$27,000.

Capital Assets

Capital Assets are reported at cost, if purchased or at fair market value on the date received, if donated. It is the Home's policy to include amortization expense on assets acquired under capital leases with depreciation on owned assets. Depreciation is provided on the straight-line basis over the estimated useful lives of the property as follows:

Land Improvements	5 – 30 Years
Buildings and Building Improvements	10 – 40 Years
Fixed Equipment	10 – 25 Years
Major Movable Equipment and Vehicles	4 – 20 Years

Depreciation expense for the year ended December 31, 2021 was \$587,444.

Deferred Outflows of Resources

The Home's financial statements report decreases in net position that relate to future periods as deferred outflows of resources. The Home reports deferred outflows of resources for Wisconsin Retirement System pension related items.

Deferred Inflows of Resources

The Home's financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund equity that applies to a future period. The County will not recognize the related revenue until a future event occurs. The Home reports deferred inflows of resources for Wisconsin Retirement System pension related items.

**ST. CROIX COUNTY HEALTH CARE CAMPUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vested Benefits

Under terms of employment, employees are granted personal time off (PTO) in varying amounts. Only benefits considered to be vested are disclosed in these statements. All PTO is accrued when incurred in the financial statements. Payments for PTO will be made at rates in effect when the benefits are used. Accumulated PTO liability at year-end is determined on the basis of current salary rates and includes salary related payments.

Employee's Retirement System

For purposes of measuring the net pension liability (asset), deferred outflows (revenue) of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position of the Home is classified in three components. Net investment in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net position reflects those that must be used for a particular purpose, as specified by creditors, grantors or contributors external to the Home. Unrestricted net position are those remaining that do not meet the definition of invested in capital assets net of related debt or restricted net position.

Restricted net position consists of contributions for resident activities, employee recreation, and the net pension asset at December 31, 2021.

Operating Revenues and Expenses

The Home's statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Home's principal activity. Nonexchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health services.

Net Resident Revenues

Net resident revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

**ST. CROIX COUNTY HEALTH CARE CAMPUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Third-Party Reimbursement Agreements

Medicaid

The Home participates in the Medicaid program that is administrated by the Wisconsin Department of Human Services (DHS). Revenues for provided services are recognized by the Home as services are provided. Rates for services provided to residents under the Title XIX Wisconsin Medical Assistance Program are based on cost reports submitted by the Home and a formula determined by the Wisconsin Department of Human Services. Average Title XIX rates cannot exceed private pay rates. Title XIX rates are subject to retroactive adjustment.

The State of Wisconsin Department of Human Services also provides additional reimbursement to county nursing facilities through the intergovernmental transfer program based on the shortfall between a facility's Medicaid reimbursement and the cost of providing the related care. These additional settlement amounts are reflected as nonoperating gains. Amounts recognized was \$482,159 during the year ended December 31, 2021.

Medicare

By state statute, a nursing facility which participates in the Medicaid program must also participate in the Medicare program. This program is administered by the Centers for Medicare and Medicaid Services.

The Home is paid under the Medicare prospective payment system (PPS) for residents who are Medicare eligible. The PPS is a per diem price-based system. Effective October 1, 2019, the Medicare Reimbursement System underwent a significant change in methodology and implemented a patient driven payment model (PDPM). The PDPM payment system operates similar to PPS in that patients are assigned standard rates of payment for their specific needs. Under PDPM, therapy minutes are removed as the primary basis for payment and instead, uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Therapy services to residents not in a covered Part A stay remain the same.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Resident service revenues were \$4,974,968 and there were no contractual adjustments in the current year.

During the year ended December 31, 2021, the occupancy percentages and the percentages of residents covered under the Medicare and Medicaid programs were as follows:

Total Occupancy	71.4%
Medicaid	46.9%
Medicare	12.6%

**ST. CROIX COUNTY HEALTH CARE CAMPUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

The Home receives contributions from individuals and private organizations. Revenue contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

NOTE 2 RESIDENT RECEIVABLES

Resident receivables reported as current assets by the Home at December 31, 2021 consisted of the following:

Receivable from Residents and Their Insurance Carriers	\$ 107,777
Receivable from Medicare	262,874
Receivable from Medicaid	<u>146,743</u>
Total Resident Receivables	517,394
Less: Allowance for Doubtful Accounts	<u>(27,000)</u>
Resident Receivables, Net	<u><u>\$ 490,394</u></u>

NOTE 3 DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Home's deposits may not be returned to it. In accordance with applicable state statutes, the Home, which is an enterprise fund of the County, maintains deposits at depository banks authorized by the County and is a member of the Federal Reserve System.

As a proprietary fund of St. Croix County, Wisconsin, the Home is required to invest its funds in accordance with Wisconsin Statutes 66.0603 and 67.11(2). State statutes permit the County to invest available cash balances in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper and the local government pooled investment fund administered by the state investment board.

The Home's deposits are pooled with all other funds of the County and are held in the County's name. Deposits made in the County's name were entirely covered by collateral held in the County's name as of December 31, 2021.

**ST. CROIX COUNTY HEALTH CARE CAMPUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DEPOSITS (CONTINUED)

Custodial Credit Risk (Continued)

The Home follows the County's investment policy with respect to interest rate risk or credit risk.

Deposits	\$ <u>836,066</u>
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The carrying amount of deposits shown above is included in the Home's balances as follows:

Cash and Cash Equivalents	\$ 798,411
Noncurrent Cash and Investments:	
Restricted Under Resident Trust Agreement	8,692
Restricted by Donors	<u>28,963</u>
Total	<u>\$ 836,066</u>

NOTE 4 CAPITAL ASSETS

Summaries of capital assets for the year ended December 31, 2021 are as follows:

	<u>January 1, 2021</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>December 31, 2021</u>
Capital Assets				
Land Improvements	\$ 22,262	\$ -	\$ -	\$ 22,262
Buildings	21,155,373	-	-	21,155,373
Equipment	1,000,150	7,609	-	1,007,759
Totals	<u>22,177,785</u>	<u>7,609</u>	-	<u>22,185,394</u>
Accumulated Depreciation				
Land Improvements	11,462	678	-	12,140
Buildings	2,229,633	562,478	-	2,792,111
Fixed Equipment	1,014,118	24,288	-	1,038,406
Totals	<u>3,255,213</u>	<u>\$ 587,444</u>	<u>\$ -</u>	<u>3,842,657</u>
Totals	<u>\$ 18,922,572</u>			<u>\$ 18,342,737</u>

**ST. CROIX COUNTY HEALTH CARE CAMPUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 ACCUMULATED PERSONAL TIME OFF AND PERSONAL SICK LEAVE LIABILITY

All regular employees are granted personal time off (PTO) based on number of regular hours paid in a pay period and length of service. Earned time off is placed in a personal "PTO" account which is subject to current use by the employee. Amounts recorded in the PTO accounts are subject to maximum accumulations. Employees may annually, in December, elect to either a) transfer, in December, up to 96 hours of PTO into the Long-Term Sick Bank (LTSB) and/or b) take a cash payout, in the following July, of up to 48 hours of PTO that will be earned in the ensuing year. Time placed in the LTSB account may be used for sick leave in excess of three days. Employees who leave the Home in good standing are entitled to payment of the accumulated PTO account. Accumulated time in the LTSB may, upon retirement, be deposited in a Retiree Health Savings account in the name of the retiree. Retirement is defined as being eligible to receive a pension from the Wisconsin Retirement System. At retirement, the balance of funds in an employee's sick bank is contributed to a qualified retirement plan.

The Nursing Home's estimated liability for accumulated personal time off and vested sick leave was \$414,178 at December 31, 2021.

	Balances 1/1/21	Additions	Reductions	Balances 12/31/21	Amounts Due Within One Year
Employee Leave Liability	\$ 399,808	\$ 14,370	\$ -	\$ 414,178	\$ 298,140

NOTE 6 EMPLOYEE RETIREMENT PLAN

General Information about the Pension Plan

Plan Description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible state of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. ETF issues a standalone Annual Financial Report (ACFR), which can be found at <https://etf.wi.gov/publications/cafr.htm>.

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

**ST. CROIX COUNTY HEALTH CARE CAMPUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 EMPLOYEE RETIREMENT PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

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

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

The WRS also provides death and disability benefits for employees.

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

During the Home's fiscal year reporting period January 1, 2021 through December 31, 2021, the WRS recognized \$173,563 in contributions from the employer.

Contribution rates as of December 31, 2021 are:

	<u>Employee</u>	<u>Employer</u>
General	6.75%	6.75%
Executives and Elected Officials	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

**ST. CROIX COUNTY HEALTH CARE CAMPUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 EMPLOYEE RETIREMENT PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2011	(1.20)%	11.00 %
2012	(7.00)	(7.00)
2013	(9.60)	9.00
2014	4.70	25.00
2015	2.90	2.00
2016	0.50	(5.00)
2017	2.00	4.00
2018	2.40	17.00
2019	0.00	(10.00)
2020	1.70	21.00

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

At December 31, 2021, the Home reported an asset of \$946,575 for its proportionate share of the net pension liability (asset). The total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Home's proportion of the net pension liability (asset) was based on a projection of the Home's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2020, the Home's proportion was 0.22902798%, which was an increase of 0.00395280% from its proportion measured as of December 31, 2019.

**ST. CROIX COUNTY HEALTH CARE CAMPUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

For the year ended December 31, 2021, the Home recognized pension revenue of \$(100,158). At December 31, 2021, the Home reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 1,369,985	\$ 295,092
Changes of Assumptions	21,470	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,777,118
Changes in Proportion and Differences Between Home Contributions and Proportionate Share of Contributions	2,266	541
Contributions Subsequent to the Measurement Date	173,563	-
Total	<u>\$ 1,567,284</u>	<u>\$ 2,072,751</u>

As of December 31, 2021, \$173,563 was reported as deferred outflows of resources related to pensions resulting from the Home's contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31, 2021:</u>	<u>Pension Expense (Revenue) Amount</u>
2022	\$ (174,319)
2023	(47,292)
2024	(321,432)
2025	(135,987)

**ST. CROIX COUNTY HEALTH CARE CAMPUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

Actuarial Assumptions. The total pension liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2019
Measurement Date of Net Pension Liability:	December 31, 2020
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.00%
Discount Rate:	7.00%
Salary Increase:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Postretirement Adjustments:	1.90%

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 actuarial valuation.

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

**ST. CROIX COUNTY HEALTH CARE CAMPUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

<u>Core Fund Asset Class</u>	Target Allocation	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
Global Equities	51.00%	7.20%	4.70%
Fixed Income	25.00	3.20	0.80
Inflation Sensitive Assets	16.00	2.00	-0.40
Real Estate	8.00	5.60	3.10
Private Equity/Debt	11.00	10.20	7.60
Multi-Asset	4.00	5.80	3.30
Total Core Fund	<u>115.00%</u>	<u>6.60%</u>	<u>4.10%</u>
<u>Variable Fund Asset Class</u>			
U.S. Equities	70.00%	6.60%	4.10%
International Equities	30.00	7.40	4.90
Total Variable Fund	<u>100.00%</u>	<u>7.10%</u>	<u>4.60%</u>

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75% Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

Single Discount Rate. A single discount rate of 7.00% was used to measure the Total Pension Liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Home's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Home's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the Home's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

**ST. CROIX COUNTY HEALTH CARE CAMPUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

<u>December 31, 2021</u>	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
The Home's Proportionate Share of the Net Pension Liability (Asset)	\$ 901,008	\$ (946,575)	\$ (2,303,611)

Payable to the Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

NOTE 7 OTHER POST EMPLOYMENT BENEFITS

The Home participates in a health insurance plan with the County which provides health insurance and other benefits to participating retirees who have reached the age of 55 and have 20 years of services with the County. The health insurance benefit for retirees terminates at the age of 65. Reporting standards provide for the determination, disclosure and potential recognition of other postemployment benefits, including retiree health insurance benefit described above. The potential liability has been actuarially determined for the County and reflected in the County financial statements. At this time, the County has chosen not to assess costs related to the provision of any postemployment benefits to the Home.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Healthcare Risk Management

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for resident services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violation of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed. Management of the Home and the County believe that all material commitments and contingencies have been disclosed.

**ST. CROIX COUNTY HEALTH CARE CAMPUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 9 GOVERNMENT GRANTS

Provider Relief Funds

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by the Organization from federal and state sources was approximately \$1,508,495 as of December 31, 2021. The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and may be subject to audit. At December 31, 2021, the Organization recognized \$1,508,495, as other (emergency grant revenue) nonoperating revenue in the statements of activities and changes in net assets. Management believes the amounts have been recognized appropriately as of December 31, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**ST. CROIX COUNTY HEALTH CARE CAMPUS
SCHEDULE OF PROPORTIONATE SHARE OF
WISCONSIN RETIREMENT SYSTEM PENSION PLAN (ASSET)/LIABILITY
LAST TEN FISCAL YEARS***

Measurement Period Ending: December, 31	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
County's Proportion of the Net Pension Liability (Asset)	0.21970028%	0.21616914%	0.21478422%	0.21653928%	0.22225145%	0.22620425%	0.22902798%
County's Proportionate Share of the Net Pension Liability (Asset)	\$ (5,396,440)	\$ 3,512,707	\$ 1,770,334	\$ (6,429,308)	\$ 7,907,009	\$ (7,293,857)	\$ (14,298,534)
County's Covered Payroll	\$ 28,226,246	\$ 27,892,981	\$ 28,587,877	\$ 30,109,574	\$ 31,477,565	\$ 32,517,474	\$ 34,269,069
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	-19.12%	12.59%	6.19%	-21.35%	25.12%	-22.43%	-41.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	102.74%	98.20%	99.12%	102.93%	96.45%	102.96%	105.26%

* The amounts presented for each fiscal year were determined as of December 31 that occurred within the fiscal year.

The above information is for St. Croix County as a whole, including St. Croix County Health Care Campus, an enterprise fund of the County.

- Shown prospectively from year of implementation.

**ST. CROIX COUNTY HEALTH CARE CAMPUS
SCHEDULE OF CONTRIBUTIONS TO
WISCONSIN RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS***

Fiscal Year Ending: December, 31

	2015	2016	2017	2018	2019	2020	2021
Contractually Required Contribution	\$ 2,026,705	\$ 2,109,823	\$ 2,265,431	\$ 2,343,433	\$ 2,370,927	\$ 2,621,770	\$ 2,645,480
Contributions in Relation to the Contractually Required Contributions	(2,026,705)	(2,109,823)	(2,265,431)	(2,343,433)	(2,370,927)	(2,621,770)	(2,645,480)
Contribution Deficiency (Excess)	<u>\$ -</u>						
County's Covered Payroll	\$ 27,892,981	\$ 28,587,877	\$ 30,109,574	\$ 31,477,565	\$ 32,517,475	\$ 34,269,070	\$ 34,722,717
Contributions as a Percentage of Covered Payroll	7.27%	7.38%	7.52%	7.44%	7.29%	7.65%	7.62%

The above information is for St. Croix County as a whole, including St. Croix County Health Care Campus, an enterprise fund of the County.

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

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

* Shown prospectively from year of implementation.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Human Services Board
St. Croix County Health Care Campus
New Richmond, Wisconsin

We have audited, in accordance with the 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 Controller General of the United States, the financial statements of St. Croix County Health Care Campus, which collectively comprise St. Croix County Health Care Campus' basic financial statements as listed in the table of contents as of December 31, 2021, and have issued our report thereon dated July 29, 2021.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Croix County Health Care Campus' financial statements are free of 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*.

St. Croix County Health Care Campus' Response to Findings

Government Auditing Standards required the auditor to perform limited procedures on St. Croix County Health Care Campus' response to the findings identified in our audit are described in the accompanying schedule of findings and responses. St. Croix County Health Care Campus' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



CliftonLarsonAllen LLP

Eau Claire, Wisconsin
July 29, 2021

**ST. CROIX COUNTY HEALTH CARE CAMPUS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021**

FINDING: 2021-001

Material Audit Adjustments, Material Weakness

Criteria: The Home should have controls in place to prevent or detect a material misstatement in the financial statements in a timely manner.

Condition: The audit firm proposed and the Home posted to its general ledger accounts adjusting journal entries for correcting certain misstatements. These adjustments were considered to be material for the fair presentation of the financial statements.

Context: The Home has informed us that they will review adjustments proposed by us and will endeavor to minimize the number and amount of proposed adjustments in future audits, but will continue to rely upon the audit firm to propose such audit adjustments as are necessary to adjust accounts in accordance with Generally Accepted Accounting Principles (GAAP). Management will review and approve those entries prior to recording them.

Cause: The Home has not established controls to ensure that all accounts are adjusted to their appropriate year-end balances in accordance with GAAP.

Effect: The potential exists that a misstatement of the annual financial statements could occur and not be prevented or detected by the Home's internal controls.

Repeat Finding: See 2020-001.

Recommendation: The Home should continue to evaluate their internal staff and expertise to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year-end balances in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Actions: The Home will continue to rely upon the audit firm to propose audit adjustments necessary to adjust accounts in accordance with GAAP. Management will review and approve these entries prior to recording them. The Administrator is the official responsible for ensuring corrective action of the deficiency.



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