

MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION

Financial Statements

For the Years Ended December 31, 2020 and 2019



MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
(A Component Unit of La Crosse County, Wisconsin)

FINANCIAL STATEMENTS
December 31, 2020 and 2019

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Independent Auditors' Report

To the Board of Directors of
Mississippi Valley Health Services Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the Mississippi Valley Health Services Commission, a component unit of La Crosse County, Wisconsin, as of and for the years ended December 31, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the Mississippi Valley Health Services Commission'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 Mississippi Valley Health Services Commission'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 Mississippi Valley Health Services Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mississippi Valley Health Services Commission as of December 31, 2020 and 2019 and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary 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.

Baker Tilly US, LLP

Madison, Wisconsin
July 21, 2021

MANAGEMENT'S DISCUSSION & ANALYSIS

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**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
December 31, 2020**

SUMMARY

On July 1, 2009, Mississippi Valley Health Services Commission (MVHS) was formed through an Intergovernmental Agreement executed on behalf of eleven Wisconsin counties under Wisconsin Statute 66.0301. The counties involved in the original agreement were La Crosse, Monroe, Vernon, Crawford, Sauk, Juneau, Richland, Marinette, Rock, Chippewa, and Trempealeau. In 2010, Outagamie and Winnebago counties joined the commission, which brought the total to thirteen counties. The Commission was formed to jointly operate the former Lakeview Health Center, which was operated as an enterprise fund of La Crosse County. The purpose of the Commission is to provide nursing home services for the elderly and developmentally disabled in a regional area and to jointly share in the cost of providing these services based on the residency of each patient.

MVHS's comparative financial statements are presented in accordance with generally accepted accounting principles. The audited statements cover the years ended December 31, 2020 and 2019.

FINANCIAL RESULTS

- MVHS reported net position of \$1,696,457 at December 31, 2020 compared to \$1,271,351 at December 31, 2019. At the end of 2020, MVHS had a net pension asset of \$810,722 compared to a net pension liability of \$921,654 at December 31, 2019.
- Operating revenues for the year ended December 31, 2020, were \$7,567,107, while total revenues for the year ended December 31, 2019 were \$6,765,481.
- Operating expenses for the year ended December 31, 2020 were \$8,188,095, while operating expenses for the year ended December 31, 2019 were \$8,184,044.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to MVHS's financial statements. The financial statements are comprised of three components: financial statements, notes to the financial statements, and required supplementary information.

The statement of net position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of MVHS, with the difference reported as net position. Over time, increases or decrease in net position may serve as a useful indicator of whether the financial position of MVHS is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents how MVHS's net position changed during the years ended December 31, 2020 and 2019.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
December 31, 2020**

STATEMENTS OF NET POSITION

A comparative summary of MVHS's Statements of Net Position follows below:

**Condensed Statements of Net Position
December 31, 2020, 2019, and 2018**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 1,996,482	\$ 1,397,210	\$ 1,142,385
Current restricted assets	17,602	9,542	11,244
Noncurrent restricted assets	<u>810,722</u>	<u>-</u>	<u>809,475</u>
Total assets	<u>2,824,806</u>	<u>1,406,752</u>	<u>1,963,104</u>
Deferred outflows of resources	<u>2,079,800</u>	<u>3,241,193</u>	<u>1,608,184</u>
Current liabilities	1,013,628	858,401	838,625
Noncurrent liabilities	<u>-</u>	<u>921,654</u>	<u>-</u>
Total liabilities	<u>1,013,628</u>	<u>1,780,055</u>	<u>838,625</u>
Deferred inflows of resources	<u>2,194,521</u>	<u>1,596,539</u>	<u>1,295,031</u>
Net position:			
Restricted	810,722	-	809,475
Unrestricted	<u>885,735</u>	<u>1,271,351</u>	<u>628,157</u>
Total net position	<u>\$ 1,696,457</u>	<u>\$ 1,271,351</u>	<u>\$ 1,437,632</u>

At December 31, 2020, 2019, and 2018 assets were primarily 1) accounts receivables from governments and patients for services totaling \$703,216, \$613,789, and \$532,080; 2) equity in pooled and other cash held by La Crosse County totaling \$1,310,868, \$792,963, and \$621,549 for cash management services; and 3) restricted net pension asset of \$810,722, \$0, and \$809,475, respectively.

Liabilities at December 31, 2020, 2019, and 2018 include 1) patient accounts managed by MVHS of \$17,602, \$9,542, and \$11,244; 2) accounts payable of \$845,936, \$848,659, and \$827,381; and 3) a net pension liability of \$0, \$921,654, and \$0, respectively. \$795,425 of each of the 2020, 2019, and 2018 accounts payable balances was owed to La Crosse County for the lease agreement.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
December 31, 2020**

The MVHS statement of net position does not include any capital assets, as all property and equipment are leased from La Crosse County, as shown in Note 5.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

A summary of MVHS's Statements of Revenues, Expenses and Changes in Net Position follows below:

**Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2020, 2019, and 2018**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 7,567,107	\$ 6,765,481	\$ 6,596,313
Contracted personnel services	6,088,595	6,227,898	5,930,154
Rent and lease charges	1,002,677	993,236	984,782
Other operating expenses	<u>1,096,823</u>	<u>962,910</u>	<u>941,572</u>
Total expenses	<u>8,188,095</u>	<u>8,184,044</u>	<u>7,856,508</u>
Loss before nonoperating revenues	(620,988)	(1,418,563)	(1,260,195)
Interest	528	51	37
Intergovernmental revenue	1,045,566	1,252,231	1,568,557
Contribution from La Crosse County	<u>-</u>	<u>-</u>	<u>1,738</u>
Changes in net position	425,106	(166,281)	310,137
Net position, beginning	<u>1,271,351</u>	<u>1,437,632</u>	<u>1,127,495</u>
Net position, ending	<u>\$ 1,696,457</u>	<u>\$ 1,271,351</u>	<u>\$ 1,437,632</u>

MVHS reported operating loss of \$620,988, \$1,418,563, and \$1,260,195 for the years ended December 31, 2020, 2019, and 2018, respectively. Intergovernmental revenues from the intergovernmental transfer (IGT) and certified public expenditure (CPE) programs are used by the facility to offset operating losses.

Revenue sources primarily consist of medical assistance, medicare, private pay revenue from patients, the per diem charge to member counties, and payments from the state. For 2020, medical assistance revenues comprised \$3,730,234 or 43% of revenues, the IGT accounted for \$826,050 or 10% of revenues, the CPE payment accounted for \$219,516 or 3% of revenues, and the per diem charge accounted for \$2,597,332 or 30% of revenues.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
December 31, 2020**

The schedule following shows the comparison of total operating revenues to total operating expenses for the years ended December 31, 2020, 2019, and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 7,567,107	\$ 6,765,481	\$ 6,596,313
Operating expenses	8,188,095	8,184,044	7,856,508
Operating revenues as a percentage of operating expenses	92.42%	82.67%	83.96%

MVHS contracts with La Crosse County to provide certain services. This is explained in Note 5 and Note 6 in the notes to the financial statements.

ECONOMIC FACTORS

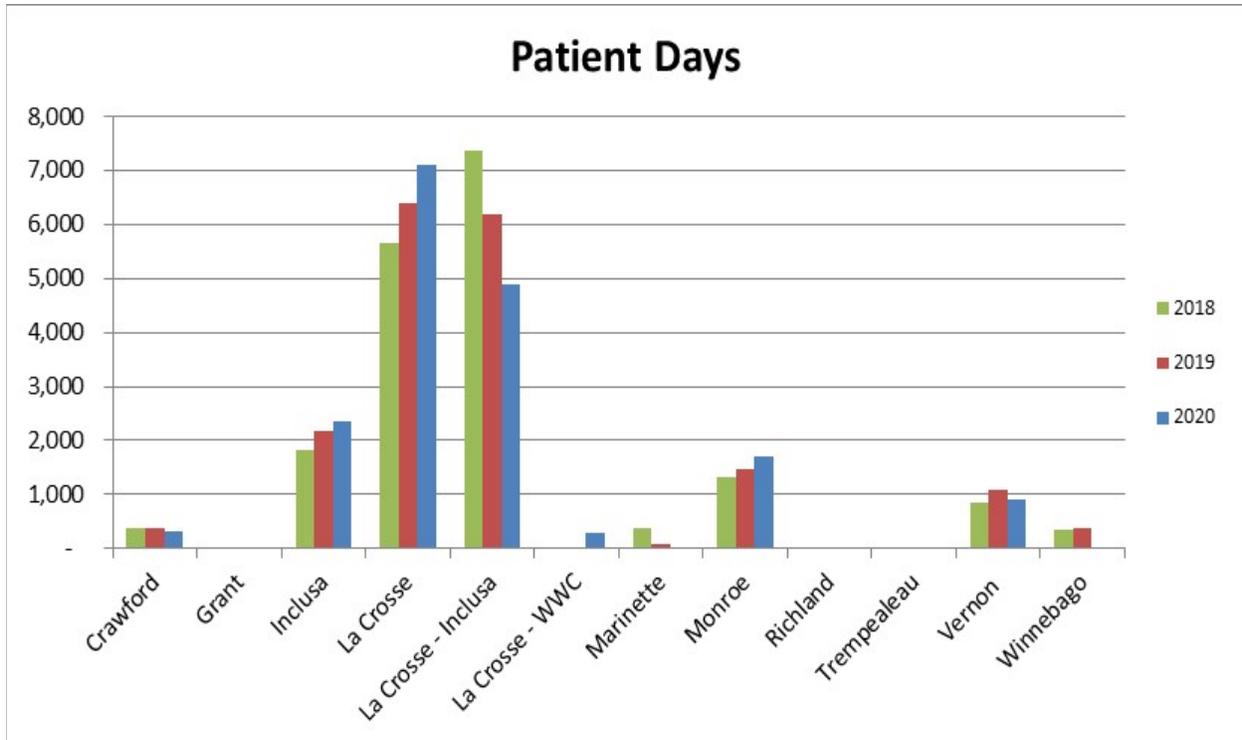
Economic factors affecting MVHS from the state and federal level include the fact that Medicare and Medicaid rates continue to be less than what is needed to cover the basic costs of care. By creating MVHS as a regional entity, counties have the option of becoming a member and placing clients at MVHS's facility at a cost much less than placing them in a State institution.

The following schedule compares the number of patient days billed to each participating entity at the respective per diem rate for the years ended December 31, 2020, 2019, and 2018:

	Patient Days Billed		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Crawford	321	365	365
Grant	-	-	-
Inclusa	2,365	2,189	1,815
La Crosse	7,097	6,404	5,655
La Crosse - Inclusa	4,905	6,184	7,362
La Crosse - Western Wisconsin Cares	284	-	-
Marinette	-	69	365
Monroe	1,716	1,460	1,307
Richland	-	-	-
Trempealeau	-	-	-
Vernon	918	1,088	857
Winnebago	21	365	345
Total patient days	<u>17,627</u>	<u>18,124</u>	<u>18,071</u>

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
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The new 50-bed nursing home facility was completed in 2016. This has allowed MVHS to continue as a regional nursing home, focusing on those clients with the highest acuity level of care. Since moving to the new facility, the census per day has remained near or at capacity at 49 or 50, with staffing levels set to provide the appropriate care for patients.



During 2020, as a result of the COVID 19 pandemic, MVHS experienced overall delays in the admission process, resulting in an increase in unpaid days. Supply costs increased in order to keep personnel supplied with the necessary protective equipment and to stock cleaning materials to comply with enhanced cleaning procedures, all in an effort to maintain staff safety as well as that of the residents. Personnel costs have also been affected, as any exposures or potential exposures require time off for staff to quarantine and additional staff to cover shifts, often at an overtime rate. Most of the expected expenditure increases from pandemic response are likely to be reimbursed by Federal Emergency Management or stimulus funding. Administration continues to closely monitor the situation and adjust and respond as necessary to keep resident care and safety the top priority.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of MVHS's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mississippi Valley Health Services Commission, 212 6th Street North, Room 2500, La Crosse, Wisconsin 54601.

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FINANCIAL STATEMENTS

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MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
STATEMENTS OF NET POSITION
December 31, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current assets:		
Cash - equity in pooled and other cash held by La Crosse County		
Unrestricted	\$ 1,293,266	\$ 783,421
Restricted	17,602	9,542
Receivables (net)	<u>703,216</u>	<u>613,789</u>
Total current assets	<u>2,014,084</u>	<u>1,406,752</u>
Noncurrent assets:		
Restricted net pension asset	<u>810,722</u>	<u>-</u>
Total assets	<u>2,824,806</u>	<u>1,406,752</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Pension	<u>2,079,800</u>	<u>3,241,193</u>
 LIABILITIES		
Current liabilities:		
Accounts payable and other current liabilities	845,936	848,659
Unearned revenue	150,090	200
Deposits payable from restricted assets	<u>17,602</u>	<u>9,542</u>
Total current liabilities	<u>1,013,628</u>	<u>858,401</u>
Noncurrent liabilities:		
Net pension liability	<u>-</u>	<u>921,654</u>
Total liabilities	<u>1,013,628</u>	<u>1,780,055</u>
 DEFERRED INFLOWS OF RESOURCES		
Pension	<u>2,194,521</u>	<u>1,596,539</u>
 NET POSITION		
Restricted for:		
Pensions	810,722	-
Unrestricted	<u>885,735</u>	<u>1,271,351</u>
Total net position	<u>\$ 1,696,457</u>	<u>\$ 1,271,351</u>

The accompanying notes are an integral part of the financial statements.

MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Charges for services	\$ 7,565,682	\$ 6,763,361
Other miscellaneous revenue	<u>1,425</u>	<u>2,120</u>
Total operating revenues	<u>7,567,107</u>	<u>6,765,481</u>
OPERATING EXPENSES		
Contracted personnel services	6,088,595	6,227,898
Rent and lease charges	1,002,677	993,236
Supplies	559,958	466,183
Purchased services and repairs	359,053	365,892
Travel and training	6,356	11,648
Provider tax assessment	102,000	102,000
Unassigned expenses	<u>69,456</u>	<u>17,187</u>
Total operating expenses	<u>8,188,095</u>	<u>8,184,044</u>
Operating loss	<u>(620,988)</u>	<u>(1,418,563)</u>
NONOPERATING REVENUES		
Intergovernmental revenue	1,045,566	1,252,231
Interest income	<u>528</u>	<u>51</u>
Total nonoperating revenues	1,046,094	1,252,282
CHANGES IN NET POSITION	425,106	(166,281)
NET POSITION, BEGINNING	<u>1,271,351</u>	<u>1,437,632</u>
NET POSITION, ENDING	<u>\$ 1,696,457</u>	<u>\$ 1,271,351</u>

The accompanying notes are an integral part of the financial statements.

MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 7,634,205	\$ 6,680,150
Miscellaneous revenue	1,425	2,120
Payments to suppliers and others	<u>(8,163,819)</u>	<u>(7,763,138)</u>
Net cash used for operating activities	<u>(528,189)</u>	<u>(1,080,868)</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Intergovernmental aids	<u>1,045,566</u>	<u>1,252,231</u>
Net cash provided by non-capital financing activities	<u>1,045,566</u>	<u>1,252,231</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>528</u>	<u>51</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	517,905	171,414
 CASH AND CASH EQUIVALENTS, BEGINNING	<u>792,963</u>	<u>621,549</u>
 CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,310,868</u>	<u>\$ 792,963</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	\$ (620,988)	\$ (1,418,563)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Pension related amounts	26,999	399,628
(Increase) decrease in accounts receivable	(89,427)	(81,709)
Increase (decrease) in accounts payable	(2,723)	21,278
Increase (decrease) in unearned revenue	149,890	200
Increase (decrease) in deposits payable	<u>8,060</u>	<u>(1,702)</u>
 NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (528,189)</u>	<u>\$ (1,080,868)</u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Unrestricted	\$ 1,293,266	\$ 783,421
Restricted	<u>17,602</u>	<u>9,542</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1,310,868</u>	<u>\$ 792,963</u>

The accompanying notes are an integral part of the financial statements.

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NOTES TO FINANCIAL STATEMENTS

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MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Mississippi Valley Health Services Commission (MVHS), a component unit of La Crosse County, was created by an Intergovernmental Agreement under Wisconsin Statute 66.0301 between eleven Wisconsin counties, including La Crosse, Monroe, Vernon, Crawford, Sauk, Juneau, Richland, Marinette, Rock, Chippewa, and Trempealeau in 2009. Outagamie and Winnebago counties were added as members in 2010. MVHS provides nursing home services for the elderly and developmentally disabled.

This report includes all of the funds of MVHS. The reporting entity for MVHS consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. MVHS presently does not report any component units.

B. Basis of Presentation and Accounting

MVHS's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. MVHS follows all pronouncements of the Governmental Accounting Standards Board.

The accounts of MVHS are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise MVHS's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Additionally, Generally Accepted Accounting Principles (GAAP) requires the use of enterprise funds to account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; (ii) that are required by laws or regulations that the activity's costs

MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation and Accounting (Continued)

of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to MVHS is determined by its measurement focus. The transactions of MVHS are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, all liabilities, and all deferred inflows and outflows associated with the operations are included on the statements of net position. Net position (i.e. total assets and deferred outflows net of total liabilities and deferred inflows) are segregated into net investment in capital assets; restricted; and unrestricted components.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of MVHS are charges to patients for services received, along with a daily assessment rate for each patient day for residents coming from a participating county. Operating expenses for MVHS include the cost of contracted services and rent, administrative expenses, and other supplies and taxes of MVHS. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is MVHS's policy to use restricted resources first, and then unrestricted resources as they are needed.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables are recorded as revenues when services are provided. Where appropriate, receivables are reduced by the estimated portion that is expected to be uncollectible.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Cash

The cash accounts of MVHS are pooled with La Crosse County in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements.

For the purposes of the statement of cash flows, MVHS considers cash equivalents to include cash and investments having an original maturity of three months or less when purchased.

MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Receivables

Receivables are recorded at their net value. Receivables include private pay balances, medical assistance and medicaid, County daily assessments, and the balance of funds held by La Crosse County on behalf of MVHS. The carrying value of receivables is reduced by a valuation allowance that reflects MVHS's best estimate of amounts that will not be collected. At December 31, 2020 and 2019, there was no allowance recorded.

E. Restricted Assets

Current restricted assets consist of the amounts held by La Crosse County for deposits owed to the residents of MVHS. Noncurrent restricted assets have been reported in connection with the net pension asset since this balance must be used to fund employee benefits.

F. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses) until that future time.

G. Employees' Retirement System

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' 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. Additional information is found in Note 4.

H. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that future time.

I. Net Position

Net position comprise the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following components:

- Net investment in capital assets - consists of capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - consists of amounts with constraints placed on their use either by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – consist of all other amounts that do not meet the definition of "restricted" or "net investment in capital assets."

MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 are composed of the following:

	<u>2020</u>	<u>2019</u>
Commingled with County	\$ 1,291,600	\$ 781,755
Petty cash - contingent fund	18	18
Cash imprest fund	<u>1,648</u>	<u>1,648</u>
Total cash and cash equivalents	1,293,266	783,421
Resident's trusts cash and cash equivalents	<u>17,602</u>	<u>9,542</u>
Total cash and cash equivalents	<u>\$ 1,310,868</u>	<u>\$ 792,963</u>

Disclosures of deposit and investment risks and fair value measurement inputs are reported in La Crosse County's Comprehensive Annual Financial Report.

NOTE 3 – RECEIVABLES

At December 31, 2020 and 2019, receivables (net of allowances) consisted of balances from the following:

	<u>2020</u>	<u>2019</u>
Member county assessments	\$ 184,649	\$ 215,730
Medical assistance and medicare	514,122	390,092
Private pay	<u>4,445</u>	<u>7,967</u>
	<u>\$ 703,216</u>	<u>\$ 613,789</u>

MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM

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, and 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 Comprehensive Annual Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Vesting

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

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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.

MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Post-Retirement Adjustments

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

The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment (%)	Variable Fund Adjustment (%)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)

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, and 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.

MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

For the years ended December 31, 2020 and 2019, the WRS recognized \$255,885 and \$261,981, respectively, in contributions from the employer.

Contribution rates for the plan years reported as of December 31, 2020 and 2019 are:

Employee Category	2020		2019	
	Employee	Employer	Employee	Employer
General (including teachers, executives, and elected officials)	6.55%	6.55%	6.7%	6.7%
Protective with Social Security	6.55%	10.55%	6.7%	10.7%
Protective without Social Security	6.55%	14.95%	6.7%	14.9%

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

At December 31, 2020, MVHS reported an asset of \$(810,722) for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. MVHS’s proportion of the net pension asset was based on MVHS’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, MVHS’s proportion was 0.02514290%, which was a decrease of 0.00076309% from its proportion measured as of December 31, 2018.

At December 31, 2019, MVHS reported liability of \$921,654 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. MVHS’s proportion of the net pension liability was based on MVHS’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, MVHS’s proportion was 0.02590599%, which was a decrease of 0.00135715% from its proportion measured as of December 31, 2017.

For the years ended December 31, 2020 and 2019, MVHS recognized pension expense of \$282,884 and \$661,609, respectively.

MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

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

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,628,200	\$1,102,972	\$ 803,247	\$1,594,902
Net differences between projected and actual earnings on pension plan investments	-	1,084,523	1,911,681	-
Changes in assumptions	172,402	-	263,750	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,524	7,026	6,630	1,637
Employer contributions subsequent to the measurement date	274,674	-	255,885	-
Total	\$2,079,800	\$2,194,521	\$3,241,193	\$1,596,539

\$274,674 reported as deferred outflows related to pension resulting from the WRS Employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	Deferred Outflow of Resources	Deferred Inflow of Resources	Net Amount
2021	1,434,317	1,526,362	(92,045)
2022	1,412,217	1,439,171	(26,954)
2023	1,128,154	956,008	172,146
2024	250,834	693,376	(442,542)
2025	-	-	-

MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions

The total pension liability in the December 31, 2019 and 2018, respectively, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2019	2018
Actuarial Valuation Date:	December 31, 2018	December 31, 2017
Measurement Date of Net Pension Liability (Asset):	December 31, 2019	December 31, 2018
Actuarial Cost Method:	Entry Age	Entry Age
Asset Valuation Method:	Fair Market Value	Fair Market Value
Long-Term Expected Rate of Return:	7.0%	7.0%
Discount Rate:	7.0%	7.0%
Salary Increases:		
Inflation	3.0%	3.0%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%	1.9%

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

Both 2019 and 2018 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. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

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

MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Asset Allocation Targets and Expected Returns

As of December 31, 2019

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49	8.0	5.1
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9	6.3	3.5
Private Equity/Debt	8	10.6	7.6
Multi-Asset	4	6.9	4.0
Total Core Fund	110	7.5	4.6
Variable Fund Asset Class			
U.S. Equities	70	7.5	4.6
International Equities	30	8.2	5.3
Total Variable Fund	100	7.8	4.9

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations

Asset Allocation Targets and Expected Returns

As of December 31, 2018

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49	8.1	5.5
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
Variable Fund Asset Class			
U.S. Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations

MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

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 was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75%. 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 rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of MVHS’s proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents MVHS’s proportionate share of the net pension liability (asset) at December 31, 2020, calculated using the discount rate of 7.00%, as well as what MVHS’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:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase To Discount Rate (8.00%)
MVHS’s proportionate share of the net pension liability/(asset)	\$2,087,754	(\$810,722)	(\$2,977,666)

The sensitivity analysis as of December 31, 2019 was as follows:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.00%)
MVHS’s proportionate share of the net pension liability/(asset)	\$3,662,750	\$921,654	(\$1,116,563)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 5 – LEASE AND ADMINISTRATIVE AGREEMENT

MVHS has entered into a lease and administrative agreement with La Crosse County. Through this agreement, La Crosse County provides to MVHS personnel and human resources related to the administration and operation of a nursing home, along with cash management services. In so doing, La Crosse County holds all cash of MVHS. In addition, MVHS also pays rent to La Crosse County equal to the sum of expenses, which include utilities, insurance, repairs, and depreciation of the facility and property that is owned by the County.

The term of this agreement commenced on July 1, 2009, and will continue until December 31, 2022, on a regular calendar fiscal year, which starts January 1 to December 31.

NOTE 6 – RELATED PARTY TRANSACTIONS

During the years ended December 31, 2020 and 2019, rents and other consideration paid to La Crosse County from MVHS under the above-mentioned agreement were as follows:

	<u>2020</u>	<u>2019</u>
Rent of the facility and related capital assets	\$ 795,425	\$ 795,425
Additional rent for utilities, insurance, repairs and other facility related items	207,252	197,811
Personnel and related benefits	6,088,595	6,227,898

In addition, as a participating county, La Crosse County pays MVHS a member assessment based on La Crosse County's resident patient days of care. La Crosse County also pays the difference between the sum of the assessments of all members and the actual costs of MVHS's operations, as determined in the MVHS Medicaid cost reports filed with the State of Wisconsin. During the years ended December 31, 2020 and 2019, MVHS recorded member assessments from La Crosse County of \$1,842,900 and \$1,699,380, respectively.

NOTE 7 – RISK MANAGEMENT

MVHS's exposure to risks of loss, including employee health, dental, and worker's compensation claims, is provided for through MVHS's agreement with La Crosse County to contract labor. All of these risk management activities are accounted for within Internal Service Funds included on the County's financial statements, with MVHS's share of the cost recorded as an expense in these financial statements. MVHS obtains property and professional liability insurance from commercial insurance companies. There were no significant changes in insurable risks or coverage from the prior year. Claims have not exceeded coverage since MVHS was formed in 2009.

MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 8 – COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

MVHS has received federal grants for specific purposes that are subject to various audit requirements. As a result of these audit requirements, various costs may be disallowed under terms of the grant. MVHS management believes such disallowances, if any, to be immaterial.

NOTE 9 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

Statement No. 87, *Leases*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

Statement No. 96, *Subscription-Based Information Technology Arrangements*

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

When they become effective, application of these standards may restate portions of these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

Year Ended December 31, 2020

	2015	2016	2017	2018	2019	2020
MVHS's proportion of the net pension liability (asset)	0.04256601%	0.03769270%	0.03218800%	0.02726314%	0.02590599%	0.02514290%
Proportionate share of the net pension liability (asset)	\$ (1,045,538)	\$ 612,499	\$ 265,306	\$ (809,475)	\$ 921,654	\$ (810,722)
Covered payroll	\$ 5,739,733	\$ 5,851,251	\$ 4,479,535	\$ 5,302,641	\$ 5,573,098	\$ 5,701,030
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	-18.22%	10.47%	5.92%	-15.27%	16.54%	-14.22%
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%

*The amounts presented for each fiscal year were determined as of the previous calendar year-end.

See independent auditors' report and accompanying notes to required supplementary information.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 WISCONSIN RETIREMENT SYSTEM
 LAST 10 FISCAL YEARS***

	Year Ended December 31, 2020											
	2015		2016		2017		2018		2019		2020	
Contractually required contributions	\$	359,243	\$	309,334	\$	274,325	\$	261,981	\$	255,885	\$	274,674
Contributions made in relation to the contractually required contributions	\$	359,243	\$	309,334	\$	274,325	\$	261,981	\$	255,885	\$	274,674
Contribution deficiency (excess)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Covered payroll	\$	5,851,251	\$	4,479,535	\$	5,302,641	\$	5,573,098	\$	5,701,030	\$	5,870,851
Contributions as a percentage of covered payroll		6.14%		6.91%		5.17%		4.70%		4.49%		4.68%

*The amounts presented for each fiscal year were determined as of the previous calendar year-end.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2020 and 2019**

NOTE 1 – EMPLOYEES’ RETIREMENT SYSTEM

MVHS is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

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

Changes in assumptions. No significant change in assumptions were noted from the prior year.

See independent auditors’ report.