

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

**FINANCIAL STATEMENTS  
December 31, 2015 and 2014**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	1
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Management's Discussion and Analysis .....	3
 <b>FINANCIAL STATEMENTS</b>	
Statement of Net Position .....	9
Statement of Revenues, Expenses, and Changes in Net Position .....	10
Statement of Cash Flows .....	11
Notes to Financial Statements .....	12
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Proportionate Share of the Net Pension Asset – Wisconsin Retirement System .....	24
Schedule of Employer Contributions – Wisconsin Retirement System .....	25
Notes to Required Supplementary Information .....	26

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Mississippi Valley Health Services Commission  
West Salem, Wisconsin

**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 year ended December 31, 2015, 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 audit. We conducted our audit 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.

To the Board of Directors  
Mississippi Valley Health Services Commission

***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, 2015, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 8, the Mississippi Valley Health Services Commission adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2015. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

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

*Prior Period Financial Statements*

The financial statements of the Mississippi Valley Health Services Commission as of December 31, 2014, were audited by other auditors whose report dated August 4, 2015, expressed an unmodified opinion on those statements.



Madison, Wisconsin  
August 15, 2016

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
December 31, 2015**

**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 are 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, 2015 and 2014.

**FINANCIAL RESULTS**

- MVHS reported net position of \$3,569,185 at December 31, 2015 compared to \$1,099,300 at December 31, 2014. The net position has been restated for the year beginning January 1, 2015 by an increase of \$2,099,500 because of GASB No. 68 and No. 71 (see Note 8). Comparative information has not been restated as this information is not available.
- Operating revenues for the year ended December 31, 2015, were \$8,255,510, while operating revenues for the year ended December 31, 2014 were \$9,254,183.
- Operating expenses for the year ended December 31, 2015 were \$10,019,679, while operating expenses for the year ended December 31, 2014 were \$11,254,183.

**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, and liabilities 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, 2015 and 2014.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
December 31, 2015**

**STATEMENTS OF NET POSITION**

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

**Condensed Statements of Net Position  
December 31, 2015, 2014 and 2013**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current unrestricted assets	\$ 1,550,352	\$ 1,469,728	\$ 1,262,693
Current restricted assets	16,835	19,582	31,105
Noncurrent restricted assets	<u>1,045,538</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>2,612,725</u></u>	<u><u>1,489,310</u></u>	<u><u>1,293,798</u></u>
<b>Deferred outflows of resources</b>	<u>1,020,940</u>	<u>-</u>	<u>-</u>
Current Liabilities	<u>64,480</u>	<u>390,010</u>	<u>87,812</u>
<b>Total liabilities</b>	<u><u>64,480</u></u>	<u><u>390,010</u></u>	<u><u>87,812</u></u>
Net position:			
Restricted for pension	1,045,538	-	-
Unrestricted	<u>2,523,647</u>	<u>1,099,300</u>	<u>1,205,986</u>
<b>Total net position</b>	<u><u>\$ 3,569,185</u></u>	<u><u>\$ 1,099,300</u></u>	<u><u>\$ 1,205,986</u></u>

At December 31, 2015, 2014, and 2013 assets were primarily accounts receivables from governments and patients for services totaling \$738,173, \$1,337,651 and \$968,349, respectively; 2) equity in pooled and other cash held by La Crosse County totaling \$829,014, \$151,659, and \$325,449 for cash management services and 3) restricted net pension asset of \$1,045,538, \$0, and \$0.

Liabilities at December 31, 2015, 2014 and 2013 include patient accounts managed by MVHS of \$16,835, \$19,582 and \$31,105, and accounts payable of \$47,645, \$370,428 and \$56,707, respectively. \$289,734 of the 2014 accounts payable was owed to La Crosse County for the lease agreement.

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

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
December 31, 2015**

**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, 2015, 2014 and 2013**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 8,255,510	\$ 9,254,818	\$ 9,954,088
Contracted personnel services	8,050,995	9,066,419	9,277,184
Rent and lease charges	730,390	750,993	751,732
Other operating expenses	<u>1,238,294</u>	<u>1,436,771</u>	<u>1,458,699</u>
<b>Total expenses</b>	10,019,679	11,254,183	11,487,615
Loss before nonoperating revenues	(1,764,169)	(1,999,365)	(1,533,527)
Interest	53	59	175
Intergovernmental revenue	1,559,591	1,047,245	1,057,297
Contribution from La Crosse County	<u>574,910</u>	<u>845,375</u>	<u>-</u>
Change in net position	370,385	(106,686)	(476,055)
Net position, beginning (as restated)	<u>3,198,800</u>	<u>1,205,986</u>	<u>1,682,041</u>
<b>Net position, ending</b>	<u>\$ 3,569,185</u>	<u>\$ 1,099,300</u>	<u>\$ 1,205,986</u>

MVHS reported operating loss of \$1,764,169, \$1,999,365 and \$1,533,527 for the years ended December 31, 2015, 2014 and 2013. Intergovernmental revenue from the intergovernmental transfer program (IGT) program is used by the facility to offset operating losses.

Service revenues include medical assistance, private pay revenue from patients, and the per diem charge to member counties, not the contribution from La Crosse County. Medical assistance revenues comprised \$4,634,684 or 47% of service revenues, the IGT accounted for \$1,559,591 or 16% of service revenues, and the per diem charge accounted for \$2,485,445 or 25% of service revenues.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
December 31, 2015**

The schedule following shows the comparison of total operating revenues to total operating expenses for the years ended December 31, 2015, 2014 and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 8,255,510	\$ 9,254,818	\$ 9,954,088
Operating expenses	10,019,679	11,254,183	11,487,615
Operating revenues as a percentage of operating expenses	82.39%	82.23%	86.65%

MVHS contracts with La Crosse County to provide certain services. This is explained in Note 3 and Note 4 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. Also, at the 2015 annual meeting, the board voted to raise the rate per day to \$100 per day beginning October 1, 2015 and going into the 2016 year. The rate for January – September 2015 was \$72.55 per day. The rate charged for 2014 and 2013 was \$64.06 per day. By increasing this rate, the cost is shared by all counties and will allow MVHS to continue to serve as a regional entity at a reasonable cost.

La Crosse County has started construction of the new Lakeview Campus facility, which is expected to be completed in the fall of 2016. The campus will include two-16 bed CBRF's (community based residential facility), one-10 bed State-only nursing home for behavioral health, and one-50 bed nursing home to serve the regional area. The 50-bed nursing home will replace the current 99-bed nursing home that has been leased to MVHS. La Crosse County staff have been working on a plan for moving clients to appropriate facilities as the downsizing occurs.



**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
December 31, 2015**

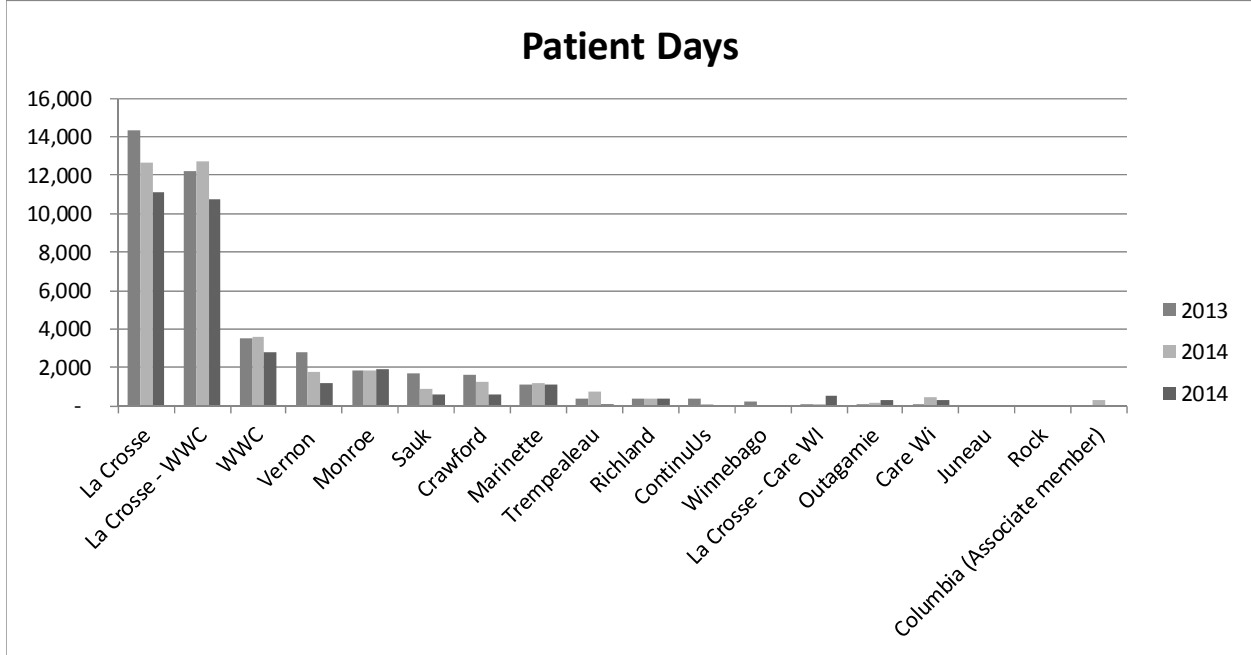
The following schedule compares the number of patient days billed to each participating entity for the per diem rate for the years ended December 31, 2015, 2014 and 2013:

**Patient Days Billed**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
CareWI	290	422	61
Chippewa	-	-	-
Columbia (Associate member)	-	319	-
ContinuUs	-	96	360
Crawford	594	1,235	1,584
Juneau	-	-	-
La Crosse	11,119	12,674	14,305
La Crosse - Care WI	496	46	114
La Crosse - Western Wisconsin Cares	10,776	12,737	12,194
Marinette	1,095	1,164	1,109
Monroe	1,904	1,828	1,860
Northern Bridges	-	-	-
Outagamie	304	153	99
Richland	365	365	392
Rock	-	-	-
Sauk	574	868	1,670
Trempealeau	5	766	400
Vernon	1,209	1,753	2,814
Western Wisconsin Cares	2,801	3,600	3,523
Winnebago	-	-	195
Total patient days	<u>31,532</u>	<u>38,026</u>	<u>40,680</u>

As indicated in the chart below, the number of patient days has declined since 2013. Patient days have declined as counties find alternative placements for individuals who don't need the specialized care that MVHS provides. As a result, the acuity level of clients has increased which has led to higher per diem rates. As stated earlier, La Crosse County has started construction of the new 50 bed nursing home which will replace the current 99 bed facility. Over the next few months, the downsizing will continue with MVHS as a regional nursing home, focusing on those clients with the highest acuity level of care.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
December 31, 2015**



**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in their 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, 400 4<sup>th</sup> Street North, Room 2150, La Crosse, Wisconsin 54601.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION**  
**STATEMENT OF NET POSITION**  
**December 31, 2015 and 2014**

<b>ASSETS</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Current assets:		
Cash - equity in pooled and other cash held by LaCrosse County		
Unrestricted	\$ 812,179	\$ 132,077
Restricted	16,835	19,582
Receivables	<u>738,173</u>	<u>1,337,651</u>
Total current assets	<u>1,567,187</u>	<u>1,489,310</u>
Noncurrent assets:		
Restricted net pension asset	<u>1,045,538</u>	<u>-</u>
Total assets	<u>2,612,725</u>	<u>1,489,310</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related items	<u>1,020,940</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and other current liabilities	47,645	370,428
Deposits payable from restricted assets	<u>16,835</u>	<u>19,582</u>
Total current liabilities	<u>64,480</u>	<u>390,010</u>
<b>NET POSITION</b>		
Restricted for pension	1,045,538	-
Unrestricted	<u>2,523,647</u>	<u>1,099,300</u>
Total net position	<u>\$ 3,569,185</u>	<u>\$ 1,099,300</u>

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

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 8,215,205	\$ 9,168,191
Other operating revenue	<u>40,305</u>	<u>86,627</u>
Total operating revenues	<u>8,255,510</u>	<u>9,254,818</u>
<b>OPERATING EXPENSES</b>		
Contracted personnel services	8,050,995	9,066,419
Rent and lease charges	730,390	750,993
Supplies	580,817	669,291
Purchased services and repairs	425,902	440,478
Travel and training	27,870	19,980
Provider tax assessment	183,770	255,100
Unassigned expenses	<u>19,935</u>	<u>51,922</u>
Total operating expenses	<u>10,019,679</u>	<u>11,254,183</u>
Operating loss	<u>(1,764,169)</u>	<u>(1,999,365)</u>
<b>NONOPERATING REVENUES</b>		
Intergovernmental revenue	1,559,591	1,047,245
Interest income	53	59
Contribution from other governmental entity	<u>574,910</u>	<u>845,375</u>
Nonoperating revenues	2,134,554	1,892,679
<b>CHANGES IN NET POSITION</b>	370,385	(106,686)
<b>NET POSITION, BEGINNING</b>	1,099,300	1,205,986
<b>Cumulative effect of a change in accounting principle</b>	<u>2,099,500</u>	<u>-</u>
<b>NET POSITION, ENDING</b>	<u>\$ 3,569,185</u>	<u>\$ 1,099,300</u>

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

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 8,236,217	\$ 9,135,085
Miscellaneous revenue	40,305	86,627
Payments to suppliers and others	<u>(10,309,440)</u>	<u>(10,940,462)</u>
Net cash flows used in operating activities	<u>(2,032,918)</u>	<u>(1,718,750)</u>
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Intergovernmental aids	2,135,310	699,526
Contribution from other governmental entity	<u>574,910</u>	<u>845,375</u>
Net cash flows provided by non-capital financing activities	<u>2,710,220</u>	<u>1,544,901</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<u>53</u>	<u>59</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	677,355	(173,790)
 <b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>151,659</u>	<u>325,449</u>
 <b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 829,014</u>	<u>\$ 151,659</u>
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (1,764,169)	\$ (1,999,365)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Pension adjustment	33,022	-
(Increase) decrease in accounts receivable	23,759	(21,583)
Increase (decrease) in accounts payable	(322,783)	313,721
Increase (decrease) in deposits payable	<u>(2,747)</u>	<u>(11,523)</u>
 <b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>\$ (2,032,918)</u>	<u>\$ (1,718,750)</u>
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>		
Unrestricted	\$ 812,179	\$ 132,077
Restricted	16,835	19,582
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 829,014</u>	<u>\$ 151,659</u>

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

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**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, 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.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation and Accounting (Continued)**

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 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 and all liabilities associated with the operations are included on the statements of net position. Net position (i.e. total assets and deferred outflows of resources net of total liabilities) is segregated into net investment of 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, and liabilities 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.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**D. Receivables**

Receivables are recorded at their net value. Receivables include private pay balances, medical assistance and medicaid, County daily assessments, Title XIX intergovernmental transfer program payments, 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, 2015, an allowance of \$45,000 was recorded. At December 31, 2014 MVHS's management determined that an allowance was not necessary.

**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 balance since this balance must be used to fund employee benefits.

**F. 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.

**G. Net Position**

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

- Restricted net position - consists of net position 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 - All other net position that do not meet the definition of "restricted" or "net investment of capital assets."

**H. 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.



**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

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

	<u>2015</u>	<u>2014</u>
Treasurer's cash	\$ 794,681	\$ 114,013
Petty cash - contingent fund	1,237	1,800
Petty cash - work therapy	3,292	4,000
Petty cash - donation fund	10,648	10,213
Petty cash - can fund	673	403
Cash imprest fund	<u>1,648</u>	<u>1,648</u>
Total cash and cash equivalents	812,179	132,077
Resident's trusts cash and cash equivalents	<u>16,835</u>	<u>19,582</u>
<b>Total cash and cash equivalents</b>	<u>\$ 829,014</u>	<u>\$ 151,659</u>

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

**NOTE 3 - RECEIVABLES**

At December 31, 2015 and 2014, receivables consisted of balances from the following:

	<u>2015</u>	<u>2014</u>
Member county assessments	\$ 266,842	\$ 206,497
Medical assistance and medicaid	397,940	450,207
Intergovernmental aid	-	575,719
Private pay	73,510	105,213
Other	<u>(119)</u>	<u>15</u>
	 <u>\$ 738,173</u>	 <u>\$ 1,337,651</u>

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM**

The commission implemented GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective January 1, 2015. The cumulative effect of the change in net position due to the change in accounting standard is shown as a change in beginning net position for 2015. The prior year balances for deferred outflows of resources and the net pension asset were not restated due to the measurement date used for the calculation of the balances and the timing of information received by WRS. For this reason, prior year pension footnote disclosures are included under GASB No. 27.

**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.

**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 occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**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:

<b>Year</b>	<b>Core Fund Adjustment</b>	<b>Variable Fund Adjustment</b>
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

**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. 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 reporting period, the WRS recognized \$411,920 from the employer.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014**

**NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)**

Contribution rates as of December 31, 2015 are:

<b>Employee Category</b>	<b>Employee</b>	<b>Employer</b>
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

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

At December 31, 2015, MVHS reported an asset of \$1,045,538 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. MVHS’ proportion of the net pension asset was based on MVHS’ share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, MVHS’ proportion was 0.04256602%, which was no change from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, MVHS recognized pension expense of \$411,852.

At December 31, 2015, MVHS reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$151,570
Net differences between projected and actual earnings on pension plan investments	506,300
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,827
Employer contributions subsequent to the measurement date	359,243
<b>Total</b>	<b>\$1,020,940</b>

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)**

\$359,243 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 asset in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflow of Resources
2015	\$130,111
2016	130,111
2017	130,111
2018	130,111
2019	130,111
Thereafter	11,142

**Actuarial Assumptions**

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset)	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

*\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)**

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

<b>Asset Class</b>	<b>Long-Term Real Rate of Return</b>	<b>Target Allocation</b>
US Equities	5.3%	21%
International Equities	5.7	23%
Fixed Income	1.7	36%
Inflation Sensitive Assets	2.3	20%
Real Estate	4.2	7%
Private Equity/Debt	6.9	7%
Multi-Asset	3.9	6%
Cash	0.9%	-20%

*Single discount rate.* A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**NOTE 4 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)**

*Sensitivity of MVHS’ proportionate share of the net pension asset to changes in the discount rate.* The following presents MVHS’ proportionate share of the net pension asset calculated using the discount rate of 7.20%, as well as MVHS’ proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	<b>1% Decrease to Discount Rate (6.20%)</b>	<b>Current Discount Rate (7.20%)</b>	<b>1% Increase To Discount Rate (8.20%)</b>
MVHS’ proportionate share of the net pension asset (liability)	(\$2,949,631)	\$1,045,538	\$4,200,754

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

**Required Disclosures Under GASB No. 27**

Covered payroll listed below is substantially the same as total payroll.

	Year Ended December 31	
	2015	2014
Total Covered Employee Payroll	5,851,251	5,739,733
Total Required Contributions	403,348	359,243
Total Required Contributions	6.89%	6.26%

MVHS contracts with La Crosse County for personnel services. This note regarding pensions shows the proportionate share that MVHS is responsible for through its contract with the County.

**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.

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**NOTE 6 - RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2015 and 2014, rents and other consideration paid to La Crosse County under this agreement from MVHS were as follows:

	<u>2015</u>	<u>2014</u>
Rent of the facility and related capital assets	\$ 278,123	\$ 289,734
Additional rent for utilities, insurance, repairs and other facility related items	452,267	461,259
Personnel and related benefits	8,050,995	9,066,419

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 year ended December 31, 2015 and 2014, MVHS recorded member assessments from La Crosse County of \$1,771,874 and \$1,630,775, respectively.

**NOTE 7 – RISK MANAGEMENT**

MVHS's exposure to risks of loss, including employee health, dental, and worker's compensation claims are 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.

**NOTE 8 – RESTATEMENT**

MVHS adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, as of January 1, 2015. These statements improve financial reporting for pensions. With the adoption, MVHS's proportionate share of the WRS net pension asset and related deferred outflows are recorded on the County's financial statements. Net position has been restated as follows:

	<u>MVHS</u>
Net position, as reported	\$ 1,099,300
Prior period adjustment	2,099,500
Net position, as restated	<u>\$ 3,198,800</u>

This information is an integral part of the accompanying financial statements.



**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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

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

*Statement No. 72, Fair Value Measurement and Application*

*Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

*Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

*Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

*Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*

*Statement No. 77, Tax Abatement Disclosures*

*Statement No. 79, Certain External Investment Pools and Pool Participants*

*Statement No. 80, Blending Requirements for Certain Component Units*

*Statement No. 81, Irrevocable Split-Interest Agreements*

*Statement No. 82, Pension Issues an amendment of GASB Statements 67, 68, and 73*

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION  
SCHEDULE OF MVHS' PROPORTIONATE SHARE OF THE NET PENSION ASSET  
WISCONSIN RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\***

**Year Ended December 31, 2015**

	<b>2015</b>
MVHS's proportion of the net pension asset	0.0425660%
Proportionate share of the net pension asset at December 31, 2015	\$ 1,045,538
Covered employee payroll	\$ 5,739,733
Proportionate share of the net pension asset as a percentage of covered employee payroll	18.22%
Plan fiduciary net position as a percentage of the total pension asset	102.74%

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

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

**Year Ended December 31, 2015**

	<b>2015</b>
Contractually required contributions	\$ 359,243
Contributions made in relation to the contractually required contributions	\$ 359,243
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 5,851,251
Contributions as a percentage of covered employee payroll	6.14%

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

**MISSISSIPPI VALLEY HEALTH SERVICES COMMISSION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2015 and 2014**

**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.* There were no changes in the assumptions