

North Central Community Services Program and Affiliates d/b/a North Central Health Care

Combined Financial Statements and
Required Supplementary Combining Information

Years Ended December 31, 2022 and 2021



North Central Health Care
Person centered. Outcome focused.

WIPFLI

Independent Auditor's Report

Board of Directors
North Central Health Care
Wausau, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying combined financial statements (the "financial statements") of North Central Community Services Program and Affiliates d/b/a North Central Health Care, which comprise the combined statements of net position as of December 31, 2022 and 2021, and the related combined statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of North Central Community Services Program and Affiliates d/b/a North Central Health Care as of December 31, 2022 and 2021, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Central Community Services Program and Affiliates d/b/a North Central Health Care's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Central Community Services Program and Affiliates d/b/a North Central Health Care's basic financial statements. The combining financial statements and the schedule of net position by County Net of GASB 68 and GASB 75 impact are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining financial statements is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2023 on our consideration of North Central Community Services Program and Affiliates d/b/a North Central Health Care's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Central Community Services Program and Affiliates d/b/a North Central Health Care's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Central Community Services Program and Affiliates d/b/a North Central Health Care's internal control over financial reporting and compliance.



Wipfli LLP

Wausau, Wisconsin
May 10, 2023

North Central Community Services Program

d/b/a North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2022, 2021 and 2020

Overview of the Financial Statements

The annual financial report consists of management's discussion and analysis, the combined financial statements, including notes to the combined financial statements and related combining information, and other information. The combined financial statements present different views of North Central Community Services Program d/b/a North Central Health Care's (NCHC) financial activities and consist of the following:

- The combined statements of net position compare assets to liabilities to give an overall view of the financial health of NCHC.
- The combined statements of revenue, expenses, and changes in net position provide information on an aggregate view of NCHC's finances.
- The combined statements of cash flows provide sources and uses of cash for NCHC.

NCHC financial statements represent three distinct businesses:

- The 51.42/.437 Human Services Program which includes a 16-bed psychiatric hospital, AODA and mental health services, crisis services, adult protective services, the aquatic program, community programs, and residential program serving the specialized needs of targeted populations for the benefit of Marathon, Lincoln, and Langlade Counties.
- A 160-bed nursing home on the NCHC campus which is operated for the benefit of Marathon County.
- A 120-bed nursing home in Merrill which is operated for the benefit of Lincoln County.

Financial Analysis

Statements of Net Position

One of the most important questions asked about NCHC's finances is, "Is NCHC as a whole better or worse off as a result of the year's activities?" The statements of net position and statements of revenue, expenses, and changes in net position report information about NCHC's resources and its activities in a manner that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All current year's revenue and expenses are considered regardless of when cash is received or paid.

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

North Central Community Services Program d/b/a North Central Health Care

Management's Discussion and Analysis Years Ended December 31, 2022, 2021 and 2020

Statements of Net Position (Continued)

The condensed statements of net position for the years ended December 31, 2022, 2021 and 2020 is as follows:

Condensed Statements of Net Position			
	2022	2021	2020
Assets and deferred outflows of resources:			
Current assets, excluding investments	\$ 23,101,241	\$ 15,264,086	\$ 14,946,130
Investments	1,810,537	6,801,062	11,635,464
Assets limited as to use	1,000,000	1,000,000	1,990,604
Patient trust funds	68,835	100,257	105,264
Net pension asset	17,453,928	14,388,349	7,280,177
Capital assets - Net	81,036,850	70,680,438	53,891,713
Deferred outflows of resources	35,384,283	25,608,896	18,262,408
Total assets and deferred outflows of resources	\$ 159,855,674	\$ 133,843,088	\$ 108,111,760
Liabilities:			
Current liabilities	\$ 8,506,043	\$ 9,501,577	\$ 9,896,328
Right-of-use lease obligation	68,596,744	54,098,669	34,200,033
Net pension liability	2,656,853	3,028,071	2,506,809
Patient trust funds	68,834	100,257	88,178
Total liabilities	79,828,474	66,728,574	46,691,348
Deferred inflows of resources - Pensions and life insurance	41,502,461	32,104,400	22,225,906
Net position:			
Net investment in capital assets	12,014,522	15,319,425	16,540,064
Restricted for net pension assets	17,453,928	14,388,349	7,280,177
Unrestricted:			
Board designated	1,000,000	1,000,000	1,990,604
Undesignated	8,056,289	4,302,340	13,383,661
Total net position	38,524,739	35,010,114	39,194,506
Total liabilities, deferred inflows of resources, and net position	\$ 159,855,674	\$ 133,843,088	\$ 108,111,760

Factors affecting NCHC's statement of net position in 2022 are:

- During 2022, cash and cash equivalents increased \$5,511,930. This was mainly the result of redeeming investments at their maturity. Investments decreased \$4,990,525 during 2022. While NCHC has targeted, through the strategic planning process, to continue to increase reserves each year, there have been some significant challenges. Costs related to the Covid-19 pandemic, including higher prices for supplies and the need for more staff time, have negatively impacted cash reserves. Medicaid reduced the supplemental payments and certified public expenditure awards for Mount View Care Center and Pine Crest Nursing Home by \$3,590,231 during state fiscal year 2022 compared to state fiscal year 2021.

North Central Community Services Program

d/b/a North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2022, 2021 and 2020

Statements of Net Position (Continued)

- 2022 was the first full calendar year NCHC operated its new Electronic Health Record (EHR) system. Various efficiencies were gained in 2022 and late 2021 in the billing and collections process. As a result, patient-related accounts receivable decreased \$890,002 from 2021 to 2022.
- In 2022, Marathon County awarded NCHC with \$1.85M of American Rescue Plan (ARPA) funding to support deficits incurred by Mount View Care Center, the Youth Behavioral Health Hospital, and the Marathon County based Outpatient program. At December 31, 2022, this amount is shown as a receivable and included with current assets.
- Total nondepreciable and depreciable capital assets totaled \$81,036,850 as of December 31, 2022. This was an increase from 2021 of \$10,356,412. NCHC continued remodeling of the Mount View Care Center building as part of its Master Facility Plan. The remodeling will be used to expand Mount View Care Center operations, reopen its Lakeside Recovery substance abuse program, improve the operations of the Youth and Adult Crisis Stabilization facilities, and include new offices and board rooms to be used by administrative departments such as Human Resources, Accounting, Patient Financial Services, Communications, and Information Management Services departments among others.
- As of December 31, 2022, NCHC's net position totaled \$38,524,739 on a combined basis consisting of an investment in capital assets net of related obligations of \$12,014,522, net position restricted for net pension assets of \$17,453,928, and \$9,056,289 of unrestricted net position.
- A significant component of the change during 2022 in NCHC's net position is the income before contributed capital of \$3,554,919. Because of Governmental Accounting Standards Board (GASB) Statement No. 68 and Statement No. 75, a total \$3,814,126 was recorded as a negative expense. In the absence of these adjustments, which do not have a direct impact on operations, NCHC would have recognized a loss in operations for the year of \$259,207.

Factors affecting NCHC's statement of net position in 2021 are:

- During 2021, cash and cash equivalents decreased \$1,762,766. Investments and assets limited as to use decreased \$5,825,006 during 2021 as well. Costs related to the Covid-19 pandemic in 2021, including higher prices for supplies and the need for more staff time, reduced cash reserves. In 2021 NCHC was working to replace its old EMR with a new system. This project created delays in the billing and collections process that management was working through. As a result, patient-related accounts receivable increased \$2,989,264 from 2020 to 2021.
- Total nondepreciable and depreciable capital assets totaled \$70,680,438 as of December 31, 2021. This was an increase from 2020 of \$16,788,725. NCHC finished the construction of its new Mount View Care Center Nursing Home on the Wausau campus during 2021, as well as the completion of new Adult and Youth Crisis Stabilization facilities. Mount View Care Center is a skilled nursing facility that overlooks picturesque Lake Wausau and has been recognized by U.S. News and World Report as one of the Best Nursing Homes in the United States.
- Current liabilities totaled \$9,501,577 as of December 31, 2021, which includes accounts payable, accrued payroll and related fringe benefits, and amounts payable to and deferred revenue related to third-party reimbursement programs and patient trust funds which are managed by NCHC for residents of the nursing home. The decrease of current liabilities of \$394,751 from 2020 was mainly the result of refunding a Note Anticipation Note that came due in 2021 for Pine Crest Nursing Home. Due to lower interest rates nationwide in 2021, Pine Crest's new debt has a lower interest rate and received a premium for refunding.

North Central Community Services Program d/b/a North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2022, 2021 and 2020

Statements of Net Position (Continued)

- As of December 31, 2021, NCHC's net position totaled \$35,010,114 on a combined basis consisting of an investment in capital assets net of related debt of \$15,319,425, net position restricted for net pension assets of \$14,388,349, and \$5,302,340 of unrestricted net position.
- A significant component of the change in NCHC's net position in 2021 was the loss before contributed capital of \$4,133,827. Because of Governmental Accounting Standards Board (GASB) Statement No. 68 and Statement No. 75, a total \$4,054,904 was recorded as a negative expense. In the absence of these adjustments, which does not have a direct impact on operations, NCHC would have recognized a loss from operations for the year of \$8,188,731.

Factors affecting NCHC's statement of net position in 2020 are:

- During 2020, cash and cash equivalents decreased \$268,115. Investments and assets limited as to use decreased \$1,557,579 during 2020. While NCHC has targeted, through the strategic planning process, to continue to increase reserves each year, costs related to the Covid-19 pandemic, including higher prices for supplies and need for more staff time, have reduced cash reserves.
- Current liabilities totaled \$9,742,699 at December 31, 2020, which includes accounts payable, accrued payroll and related fringe benefits, and amounts payable to and deferred revenue related to third-party reimbursement programs and patient trust funds which are managed by NCHC for residents of the nursing home.
- At December 31, 2020, NCHC's net position totaled \$39,194,506 on a combined basis consisting of an investment in capital assets net of related debt of \$16,540,064, net position restricted for net pension assets of \$7,280,177, and \$15,374,265 of unrestricted net position.
- A significant component of the change during 2020 in NCHC's net position was the loss before contributed capital of \$3,952,807. There was an expense totaling \$389,186 which was recorded in 2020 because of Governmental Accounting Standards Board (GASB) Statement No. 68 and Statement No. 75. However, prior to this expense, there was a loss in operations for the year of \$3,540,910.

The supplementary information includes a combining statement of net position and a combining statement of revenue, expenses, and changes in net position. These combining statements present separate information for the 51.42/.437 program and the Nursing Home program of NCHC.

Capital Assets

NCHC's investment in capital assets as of December 31, 2022, totals \$81,036,850 net of accumulated depreciation and including right-of-use lease assets. Various projects were in progress during 2022 including the remodeling of NCHC's old Mount View Care Center building. In 2022, there were depreciable asset additions of \$16,339,805 offset by depreciation expense of \$4,214,247.

NCHC's investment in capital assets as of December 31, 2021, totaled \$80,680,438 net of accumulated depreciation and including right-of-use assets. Various projects were in progress during 2021 including the completion of Mount View Care Center, two Crisis Stabilization Facilities (adult and youth), and remodeling of various spaces throughout the Marathon County campus. In 2021, there were depreciable asset additions of \$38,883,101 offset by depreciation expense of \$3,392,577.

North Central Community Services Program d/b/a North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2022, 2021 and 2020

Capital Assets (Continued)

NCHC's investment in capital assets as of December 31, 2020, totaled \$53,891,713 net of accumulated depreciation and including right-of-use lease assets. This was a significant increase compared to 2019, mainly due to the increase in construction in progress related to the renovation projects. There were asset additions in 2020 of \$28,730,914 offset by depreciation of \$3,274,131.

Capital assets consisted of the following at December 31, 2022, 2021 and 2020:

NCHC's Capital Assets (Net of Accumulated Depreciation)

	2022	2021	2020
Nondepreciable capital assets:			
Right-of-use assets owned by County			
Land	\$ 65,133	\$ 65,133	\$ 65,133
Construction in progress	18,574,475	4,155,549	22,840,218
Total nondepreciable capital assets	18,639,608	4,220,682	22,905,351
Depreciable capital assets:			
Right-of-use assets:			
Owned by counties	59,945,936	63,172,192	27,329,682
Other equipment	18,615	46,551	74,487
Other equipment	2,432,691	3,241,013	3,582,193
Total depreciable capital assets	62,397,242	66,459,756	30,986,362
Total capital assets - Net	\$ 81,036,850	\$ 70,680,438	\$ 53,891,713

Noncurrent Liabilities

NCHC's noncurrent liabilities totaled \$71,322,431 as of December 31, 2022. Noncurrent liabilities increased primarily as the result of a \$14,498,075 increase in noncurrent lease obligations due to Marathon County for property and equipment primarily related to the master facility plan project.

NCHC's noncurrent liabilities totaled \$57,226,997 as of December 31, 2021. Noncurrent liabilities increased primarily as the result of a \$17,690,664 increase in noncurrent lease obligations due to Marathon County for property and equipment primarily related to the master facility plan project.

North Central Community Services Program d/b/a North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2022, 2021 and 2020

Statements of Revenue, Expenses, and Changes in Net Position

The combined statement of revenue, expenses, and changes in net position for the years ended December 31, 2022, 2021 and 2020 is as follows:

Combined Statements of Revenue, Expenses, and Changes in Net Position

	2022	2021	2020
Revenue:			
Net patient service revenue	\$ 68,787,245	\$ 60,847,547	\$ 62,969,374
Other revenue	22,741,686	21,693,279	22,084,859
Total revenue	91,528,931	82,540,826	85,054,233
Expenses:			
Salaries	42,478,278	36,780,534	38,862,065
WRS Retirement	(1,204,706)	(1,471,950)	2,979,652
Other fringe benefits	12,590,962	16,365,430	11,950,187
Supplies and other	28,539,968	29,507,217	31,037,392
Depreciation	4,254,541	3,278,127	3,082,659
Care of patients at other facilities	576,960	1,512,635	1,072,374
Total expenses	87,236,003	85,971,993	88,984,329
Operating loss	4,292,928	(3,431,167)	(3,930,096)
Nonoperating loss	(738,009)	(702,660)	(22,711)
Loss before contributed capital	3,554,919	(4,133,827)	(3,952,807)
Contributions restricted for capital assets	-	-	93,156
Contributions from (to) counties for capital assets	(40,294)	(50,565)	2,329,930
Change in net position	3,514,625	(4,184,392)	(1,529,721)
Net position at beginning	35,010,114	39,194,506	40,724,227
Net position at end	\$ 38,524,739	\$ 35,010,114	\$ 39,194,506

Net Patient Service Revenue

Net patient service revenue, on a combined basis, is 75% of total revenue in 2022. Increasing net patient revenue is a priority for NCHC. Overall net patient revenue increased in 2022 by \$7,939,698 from 2021. Reasons for this increase are discussed in more detail later in this Management's Discussion and Analysis report.

North Central Community Services Program d/b/a North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2022, 2021 and 2020

Net Patient Service Revenue (Continued)

Overall net patient revenue decreased in 2021 by \$2,121,827 from 2020, and the biggest factor was the global COVID-19 pandemic. The COVID-19 pandemic resulted in a major decrease to the nursing homes net patient revenues for various reasons including:

- People and families have actively done more on their own to avoid staying at nursing homes as COVID-19 spread uncontrollably throughout the world. This hesitancy stemmed from the portrayal of nursing homes as "COVID hotspots," with massive outbreaks and many deaths stemming from those outbreaks. There were also strict restrictions put on visitations that families wanted to avoid dealing with.
- The nursing homes, like many throughout the nation, experienced a significant decrease in staffing and extreme turnover as a profession in nursing became far less popular during the pandemic. The nursing homes were unable to fill beds available if they were not able to meet minimum staffing standards.
- Nursing homes were required to stop admitting new patients if they experienced COVID-19 positive cases. So, at various times throughout 2021, discharges of patients were far greater than new admissions because a hold on new admissions was in place due to a patient testing positive.

51.42/.437 Program

In 2022, NCHC recorded \$40,065,468 of net patient service revenue for its 51.42/.437 program. This reflects an increase from 2021 of \$6,751,712. Significant components of this change are:

- NCHC hired an independent consultant to review and revise its 2020 Comprehensive Community Services (CCS) and Wisconsin Medicaid Cost Reporting (WIMCR) reporting, and prepare its 2021 CCS and WIMCR reporting. The amended 2020 reporting resulted in an additional revenue of \$867,663. The 2021 reporting resulted in additional revenue of \$672,102 for CCS and \$732,238 for WIMCR. In realizing these increased payments, NCHC was also able to increase its estimates for 2022 CCS and WIMCR settlement payments.
- NCHC increased its gross billing rates for all payors and all services effective September 1, 2022. This resulted in increased payments from some commercial and private pay payors.

In 2021, NCHC recorded \$33,313,756 of net patient service revenue for its 51.42/.437 program. This reflects an increase from 2020 of \$737,365. Significant components of this change are:

- The Human Services Programs (51.42/.437) patient services are billed based on units of services, either hours or days. Changes in the volume of units or changes in payor can impact net patient services revenue. Net revenue from billed services increased \$830,000 compared to 2020. The Covid-19 pandemic and the inability to see many patients in person for most of 2020 and all of 2021 greatly impacted billed revenue compared to previous years. Net revenue from billed services decreased approximately \$4,600,000 from 2019 to 2020.
- The settlement for the Wisconsin Medicaid Program (WIMCR) decreased about \$1,465,000, and the Comprehensive Community Services (CCS) reconciliation revenue decreased about \$250,000 in 2021. CCS has experienced a decrease from 2019 to 2020 of approximately \$1,770,000.

North Central Community Services Program d/b/a North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2022, 2021 and 2020

Net Patient Service Revenue (Continued)

In 2020, NCHC recorded \$32,576,391 of net patient service revenue for its 51.42/.437 program. Significant components of this change are:

- The Human Services Programs (51.42/.437) patient services are billed based on units of services, either hours or days. Changes in the volume of units or changes in payor can impact net patient services revenue. Net revenue from billed services decreased approximately \$4,600,000 compared to 2019. This resulted from a decrease in hospital revenue, a decrease in community treatment revenue of \$1,483,000, and a decrease in outpatient revenue. The Covid-19 pandemic and the inability to see patients in person for most of 2020 greatly impacted billed revenue. The average census in the Adult Crisis Stabilization Facility decreased in 2020 resulting in decreased revenue of \$376,000. Additional psychiatrists added in 2020 contributed to an increase in revenue of \$92,000. The addition of the Lincoln Industries program increased revenue \$420,000 in 2020. Opening of the youth acute care hospital in October 2020 added \$269,000 of revenue.
- The settlement for both the Wisconsin Medicaid Program (WIMCR) increased \$214,000 in 2020; however, the Comprehensive Community Services (CCS) reconciliation revenue decreased \$1,770,000.

Mount View Care Center

Mount View Care Center recorded \$17,314,903 of net patient service revenue in 2022, which was an increase of \$1,054,385 from 2021. Factors impacting Mount View Care Center net patient service revenues in 2022 include:

- Effective January 1, 2022, Mount View Care Center increased its standard room and board rate to \$325 from \$295 in 2021. For ventilator services the rate increased to \$750 from \$655. These rates were also increased effective July 1, 2022, to \$338 for standard services and \$780 for ventilator services.
- The 2022 statements also include an estimated increase for Medicaid reimbursement rates which, when finalized, will be effective July 1, 2022. The impact of the estimated rate increase added \$833,819 of net patient service revenues.
- Medicaid reduced its supplemental payment award for Mount View Care Center by \$1,084,000 in 2022 from 2021. Medicaid also eliminated the certified public expenditure award in 2022, whereas Mount View Care Center received an award of \$892,341 in 2021.

Mount View Care Center recorded \$16,260,518 of net patient service revenue in 2021, which was a decrease of \$1,232,016 from 2020. Factors impacting Mount View Care Center net patient service revenues in 2021 include:

- Mount View Care Center's census decreased in 2021 with an average census of 124 per day compared to the average census of 155 in 2020 and 180 in 2019. The nursing home's patient payor mix remained very similar to 2020 with about 10% of patients being insured by Medicare, 75% insured by Medicaid, and 15% having commercial insurance or being uninsured.
- The nursing home received a Supplemental Payment (SP) award in 2021 of \$2,416,100. The nursing home received another Certified Public Expenditure (CPE) payment in 2021 of just over \$890,000.

North Central Community Services Program d/b/a North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2022, 2021 and 2020

Net Patient Service Revenue (Continued)

Mount View Care Center recorded \$17,492,534 of net patient service revenue in 2020. Factors impacting Mount View Care Center net patient service revenues in 2020 include:

- The nursing home census decreased in 2020 with an average census of 155 per day compared to the average census of 180 in 2019. In addition to the census decrease, payer mix continued to shift with a loss of an average of four Medicare residents through 2020. The shift in the payer mix contributes to the average net revenue per patient day decreasing by about \$6.00. Write-offs increased in 2020 compared to 2019 by \$30,000.
- The Supplemental Payment (SP) for the nursing home decreased by \$543,000 compared to 2019. The nursing home did receive another Certified Public Expenditure (CPE) payment in 2020 of \$560,000. The State again received additional funds in excess of the Medicaid losses and was required to return these funds to the government-operated nursing homes. The payment received in 2020 was \$642,000 less than the payment in 2019.

Pine Crest Nursing Home

Pine Crest recorded \$11,406,874 of net patient service revenue in 2022, which was an increase of \$133,601 from 2021. Factors impacting Pine Crest Nursing Home net patient service revenues in 2022 include:

- Effective January 1, 2022, Pine Crest Nursing Home increase its standard room and board rate to \$315 from \$287 in 2021. This rate was further increased to \$328 effective July 1, 2022.
- Effective July 1, 2022, Medicaid increased its reimbursement rates by an average of 41% for Pine Crest Nursing Home.
- Medicaid reduced its supplemental payment award for Pine Crest Nursing Home by \$883,300 in 2022 from 2021. Medicaid also eliminated the certified public expenditure award in 2022, whereas Pine Crest Nursing Home received an award of \$730,590 in 2021.

Pine Crest recorded \$11,273,273 of net patient service revenue in 2021, which was a decrease of \$1,627,176 from 2020. Factors impacting Pine Crest Nursing Home net patient service revenues in 2021 include:

- The nursing home had an average daily census of 92 in 2021 compared to an average census of 121 in 2020.
- The nursing home received a SP in 2021 of \$2,095,650 and a CPE payment in 2021 of just over \$730,000.

January 2020, North Central Health Care added the management of Pine Crest Nursing Home located in Merrill, Wisconsin. Pine Crest recorded \$12,900,449 of net patient service revenue in 2020. Factors impacting Pine Crest Nursing Home net patient service revenues in 2020 include:

- The nursing home had an average daily census of 121 in 2020.
- The nursing home received a SP in 2020 of \$2,677,000 and a CPE payment in 2020 of \$567,000. The State again received additional funds in excess of the Medicaid losses and was required to return these funds to the government-operated nursing homes.

North Central Community Services Program

d/b/a North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2022, 2021 and 2020

Other Revenue

In 2022, other revenue totaled \$22,741,686 which was composed of 40% from the State of Wisconsin, 45% from Marathon, Langlade, and Lincoln Counties' appropriations and other county support to subsidize operating expenses, and 15% from other sources. In 2022, Marathon County awarded NCHC with \$1.85M of ARPA funding to support deficits incurred by Mount View Care Center, the Youth Behavioral Health Hospital, and the Outpatient program in Marathon County. No funding was received in response to the ongoing COVID-19 pandemic in 2022, whereas \$1,589,193 was received in 2021. Revenue in other categories stayed relatively consistent from 2021 to 2022.

In 2021, other revenue totaled \$21,693,279 which was composed of 39% from the State of Wisconsin, 38% from Marathon, Langlade, and Lincoln Counties' appropriations and other county support to subsidize operating expenses, 7% from CARES Act, American Rescue Plan Act, and other COVID-19 related relief funding, and 16% from other sources. There was a net increase of \$71,177 in the category of county appropriations for 2021. In response to the Covid-19 pandemic, NCHC received \$1,589,193 additional funding to offset a portion of the related costs. Identified costs related to COVID-19 in 2021 totaled \$2,211,504, which exceeds funding receipts. For comparison, in 2020, NCHC received \$2,955,365 of COVID-19 related funding and had identified \$3,175,102 of related costs. These calculated costs do not include the lost revenues realized in the nursing homes previously discussed. Revenue in the other categories remains relatively consistent from 2020 to 2021.

In 2020, other revenue totaled \$22,084,859 which was composed of 39% from the State of Wisconsin, 37% from Marathon, Langlade, and Lincoln Counties' appropriations to subsidize operating expenses, 13% from CARES Act and COVID-19 relief funding, and 11% from other sources. There was a net decrease of \$96,586 in the category of county appropriations for 2020. In response to the Covid-19 pandemic, NCHC received \$2,955,365 additional funding to offset a portion of the related costs. Mount View Care Center received \$860,660 total relief funding from HHS for SNF distributions, infection control, and from the State of Wisconsin. Pine Crest Nursing Home received \$934,463 total relief funding from HHS general distributions, infection control, the State of Wisconsin, and Inclusa targeted relief funding. NCHC also received \$1,082,465 of HHS general relief funding and \$77,837 of Inclusa targeted relief funding. Identified costs related to Covid-19 in 2020 totaled \$3,175,102, which exceeds funding receipts. Revenue in the other categories remains relatively consistent from 2019 to 2020.

Expenses

NCHC's combined expenses for the year ended December 31, 2022, totaled \$87,236,003.

Combined salaries accounted for 49% of total expenses in 2022, while fringe benefits accounted for 13%. Salaries and fringe benefits accounted for 43% and 17% of total expenses in 2021, respectively. Fringe benefit expenses were reduced by \$3,814,126 in 2022 as a result of GASB 68 and 75. More information on this adjustment can be found in Note 12 and 13 of the combined financial statements.

Mount View Care Center salaries and fringe benefits made up 68% of their total expenses in 2022. For Pine Crest Nursing Home, salaries and fringe benefits were 70% of their total expenses in 2022. For the 51.42/.437 program salaries and fringe benefits were 57% of the program's total expenses in 2022.

North Central Community Services Program d/b/a North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2022, 2021 and 2020

Expenses (Continued)

Factors that impacted overall expenses in 2022 were:

- NCHC hired independent consultants to do a market compensation analysis. In 2022 salary ranges were updated to be in line with the analysis and increases were given to bring employees to an appropriate rate within their updated ranges. Additionally, an average of 3% for merit increases was provided to all employees effective April 1, 2022.
- Depreciation of capital assets increased by \$976,414 or 30%. A majority of the increase was related to the construction of the new Mount View Care Center tower which opened in late 2021.
- Expenses related to care of patients at other facilities decreased by \$935,675 in 2022 from 2021.

Factors that impacted overall expenses in 2021 were:

- Overall salaries decreased \$2,081,531 or 5.4% from 2020 to 2021. During the year NCHC experienced an annual turnover rate of 31.8%, which resulted in many open positions during the year. Consistent with 2020, there were still several open positions at the end of 2021. An average of 2% for merit increases was included in the 2021 budget. Increases were given to RNs and CNAs to compete with other businesses during the pandemic. Call time increased from 2020 by \$458,933 due to several vacant positions and the need for additional staffing to manage COVID-19 related requirements such as employee and resident testing.
- The overall employee benefit percentage increased from 38% in 2020 to 40% in 2021. Considering overall salaries were down \$2,081,531 in total, the dollar amount of the benefits also decreased by \$36,359, even though the benefit percentage increased. The most significant change impacting employee benefits was the decrease in the required GASB 68 and 75 entries of \$4,444,095 from the prior year. The entries are noncash items but are required entries. Health and dental insurance expenses increased in 2021 compared to 2020 by \$1,444,755.
- Provider-contracted services decreased in 2021 by \$172,268, and by \$828,162 in 2020, driven by hiring of psychiatrists to replace contracted locums. Staffing-contracted services were \$1,033,283 in 2021 and primarily relate to filling staffing shortages exacerbated by the COVID-19 pandemic. Drug expense increased by \$552,940 in 2021, and by \$1,436,277 in 2020 due to the addition of Pine Crest Nursing Home in 2020, the Crisis Stabilization Facilities in 2021, as well as the use of more expensive drugs for treatment of severe substance use disorders.
- Expenses for diverting care of patients to other institutes, due to a shortage of staffing or threats to safety of staff, saw an increase in 2021 compared to 2020 of \$440,260.

North Central Community Services Program d/b/a North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2022, 2021 and 2020

Expenses (Continued)

Factors that impacted overall expenses in 2020 were:

- Overall salaries increased \$6,200,971 or 19% from 2019 to 2020. An average of 2% for merit increases was included in the 2020 budget, however due to the uncertainty posed by the pandemic merit increases were not distributed in 2020. The 2020 budget did include an addition of 197 FTEs for \$8,676,715. The majority of these are directly related to the addition of Pine Crest Nursing Home while the others are elsewhere in direct care. Overtime and call time increased from 2019 by \$482,919 due to several vacant positions and the need for additional staffing to manage COVID-19 related requirements such as employee and resident testing. Consistent with 2019, there were still several open positions at the end of 2020.
- Salary expense due to COVID-19 related absences totaled \$334,291 in 2020.
- The overall employee benefit percentage decreased from 47% in 2019 to 38% in 2020. The dollar amount of the decreased benefits was \$558,919. The most significant change impacting employee benefits was the decrease in the required GASB 68 and 75 entries of \$2,184,633. The entries are noncash items but are required entries. FICA and retirement increased in 2020 compared to 2019 by \$975,489 due to increased salaries, while health insurance and unemployment decreased compared to 2019.
- Provider-contracted services decreased in 2020 by \$828,162 driven by hiring of psychiatrists to replace contracted locums. Staffing-contracted services increased \$1,061,267 in 2020 due to the addition of Pine Crest Nursing Home as well as staffing shortages exacerbated by the COVID-19 pandemic. Information technology agreements increased \$211,920 due to the increased FTEs in 2020. Drug expense increased \$1,436,277 due to the addition of Pine Crest Nursing Home and use of more expensive drugs for treatment of severe substance use disorders. Increased revenues offset this increase in expense.
- Care at other institutes saw a significant decrease in 2020 compared to 2019 of \$1,392,661 due to efforts to treat more individuals at NCHC's facilities and opening of the youth acute care hospital in October 2020.

This financial report is designed to provide our readers with a general overview of NCHC's finances and to show NCHC's accountability for the funding it receives. If there are questions about this report or if additional financial information is needed, contact the administration office at North Central Health Care, 1100 Lake View Drive, Wausau, Wisconsin 54403.

North Central Community Services Program and Affiliates
d/b/a North Central Health Care
Combined Statements of Net Position

December 31, 2022 and 2021

Assets and Deferred Outflows of Resources	2022	2021
Current assets:		
Cash and cash equivalents	\$ 8,298,316	\$ 2,786,386
Investments	1,810,537	6,801,062
Accounts receivable:		
Patient - Net	6,759,234	7,649,236
Outpatient WIMCR/CCS	3,097,560	1,020,545
Marathon County	1,926,500	103,137
Net state receivable	1,405,151	2,343,623
Amounts due from other third-party reimbursement programs	90,593	39,135
Other	537,878	431,000
Inventory	391,035	516,822
Prepaid and other assets	594,974	374,202
Total current assets	24,911,778	22,065,148
Noncurrent assets:		
Assets limited as to use	1,000,000	1,000,000
Restricted assets - Patient trust funds	68,835	100,257
Net pension asset	17,453,928	14,388,349
Nondepreciable capital assets	18,639,608	4,220,682
Depreciable capital assets - Net	62,397,242	66,459,756
Total noncurrent assets	99,559,613	86,169,044
Deferred outflows of resources - Pensions and life insurance	35,384,283	25,608,896
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 159,855,674	\$ 133,843,088

North Central Community Services Program and Affiliates d/b/a North Central Health Care

Combined Statements of Net Position (Continued)

December 31, 2022 and 2021

Liabilities, Deferred Inflows of Resources, and Net Position	2022	2021
Current liabilities:		
Current portion of right-of-use lease obligation	\$ 425,584	\$ 1,262,344
Accounts payable - Trade	1,664,130	2,324,425
Accrued liabilities:		
Salaries and retirement	2,204,128	2,084,867
Compensated absences	2,206,848	2,272,869
Health and dental insurance	1,256,661	1,299,761
Interest	609,187	97,298
Other	117,949	129,446
Unearned revenue	21,556	30,567
Total current liabilities	8,506,043	9,501,577
Noncurrent liabilities:		
Right-of-use lease obligation	68,596,744	54,098,669
OPEB life insurance liability	2,656,853	3,028,071
Patient trust funds	68,834	100,257
Total noncurrent liabilities	71,322,431	57,226,997
Total liabilities	79,828,474	66,728,574
Deferred inflows of resources - Pensions and life insurance	41,502,461	32,104,400
Net position:		
Net investment in capital assets	12,014,522	15,319,425
Restricted for net pension assets	17,453,928	14,388,349
Unrestricted:		
Board designated for contingency	1,000,000	1,000,000
Undesignated	8,056,289	4,302,340
Total net position	38,524,739	35,010,114
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 159,855,674	\$ 133,843,088

See accompanying notes to combined financial statements.

North Central Community Services Program and Affiliates d/b/a North Central Health Care

Combined Statements of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2022 and 2021

	2022	2021
Revenue:		
Net patient service revenue	\$ 68,787,245	\$ 60,847,547
Other revenue:		
State grant-in-aid	5,040,270	5,018,291
State match/addendum	2,709,134	3,483,793
Other grants	3,245,144	2,360,237
Counties' appropriations and other support	8,453,775	8,163,044
Departmental and other revenue	3,293,363	2,667,914
Total other revenue	22,741,686	21,693,279
Total revenue	91,528,931	82,540,826
Expenses:		
Salaries	42,478,278	36,780,534
Fringe benefits:		
WRS Retirement - GASB 68	(3,685,775)	(4,286,559)
WRS Retirement - GASB 75	(128,351)	231,655
WRS Retirement - Contributions	2,609,420	2,582,954
Other fringe benefits	12,590,962	16,365,430
Supplies and other	28,539,968	29,507,217
Depreciation	4,254,541	3,278,127
Care of patients at other facilities	576,960	1,512,635
Total expenses	87,236,003	85,971,993
Operating income (loss)	4,292,928	(3,431,167)
Nonoperating revenue (expense):		
Interest expense	(725,849)	(785,828)
Interest income	76,214	70,938
Income (loss) on disposal of capital assets	(88,374)	12,230
Total nonoperating expense	(738,009)	(702,660)
Income (loss) before contributed capital	3,554,919	(4,133,827)
Contributions to Marathon County for capital assets	(40,294)	(50,565)
Change in net position	3,514,625	(4,184,392)
Net position at beginning	35,010,114	39,194,506
Net position at end	\$ 38,524,739	\$ 35,010,114

See accompanying notes to combined financial statements.

North Central Community Services Program and Affiliates d/b/a North Central Health Care

Combined Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Increase (decrease) in cash and restricted cash:		
Cash flows from operating activities:		
Cash received from patients, third-party reimbursement programs, and other revenue	\$ 80,835,905	\$72,485,158
Cash received from Marathon County appropriations and other support	5,963,947	6,488,917
Cash received from other counties' appropriations and other support	2,489,828	1,674,127
Cash paid to employees for services	(46,293,758)	(40,045,536)
Cash paid to suppliers for goods and services	(41,330,181)	(45,345,742)
Net cash from operating activities	1,665,741	(4,743,076)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(591,351)	(1,872,634)
Principle payments on right-of-use lease obligations	(422,932)	(402,986)
Interest paid	(237,689)	(645,021)
Net cash from capital and related financing activities	(1,251,972)	(2,920,641)
Cash flows from investing activities:		
Decrease in investments	4,990,525	4,834,402
Decrease in assets limited as to use	-	990,604
Interest received	76,214	70,938
Net cash from investing activities	5,066,739	5,895,944
Net change in cash and restricted cash	5,480,508	(1,767,773)
Cash and restricted cash at beginning	2,886,643	4,654,416
Cash and restricted cash at end	\$ 8,367,151	\$ 2,886,643

North Central Community Services Program and Affiliates d/b/a North Central Health Care

Combined Statements of Cash Flows (Continued)

Years Ended December 31, 2022 and 2021

	2022	2021
Reconciliation of operating loss to net cash and restricted cash from operating activities:		
Operating income (loss)	\$ 4,292,928	\$ (3,431,167)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Provision for depreciation	4,214,247	3,392,577
Provision for bad debts	1,135,871	494,613
Pension expense	(3,814,123)	(4,054,904)
Changes in operating assets and liabilities:		
Accounts receivable	(3,366,111)	(2,378,614)
Inventory	125,787	(87,489)
Other current assets	(220,772)	(109,232)
Resident trust funds	(31,423)	12,079
Accounts payable	(660,295)	637,782
Accrued liabilities	(1,357)	789,902
Unearned revenue	(9,011)	(8,623)
Total adjustments	(2,627,187)	(1,311,909)
Net cash from operating activities	\$ 1,665,741	\$ (4,743,076)
Reconciliation of cash and restricted cash to balance sheet:		
Cash and cash equivalents	\$ 8,298,316	\$ 2,786,386
Restricted cash - Patient trust funds	68,835	100,257
Total cash and restricted cash	\$ 8,367,151	\$ 2,886,643
Supplemental disclosure of cash flows information:		
Capital assets acquired under lease obligation	\$ 14,131,110	\$ 18,376,392

See accompanying notes to combined financial statements.

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

North Central Community Services Program and Affiliates d/b/a North Central Health Care (NCHC) is an entity established under a contract with Langlade, Lincoln, and Marathon Counties as a quasi-political subdivision. The County Board of Supervisors from the three counties appoint board members to NCHC. The 14-member Board of Directors is made up of nine members from Marathon County, three members from Lincoln County, and two members from Langlade County.

In February 2022, Langlade, Lincoln, and Marathon Counties signed a Tri-County Agreement to continue sponsorship of NCHC through May 1, 2027, for the purposes of administering a community mental health, alcoholism, and drug abuse program, protective services, protective placement, and nursing home services. Under terms of the agreement, an Executive Committee (the "Committee") was established to exercise authority retained by the respective County Boards, as provided under Sec. 51.42(5) of the Wisconsin Statutes. The agreement delineates, among other things, the programmatic and management responsibilities of NCHC and the responsibilities and authorities of the Committee and the Board of Directors.

Annually, the three counties fund an amount equal to expenses in excess of federal and state grants and patient fees relating to the respective county's proportionate share of operating costs. Capital facilities are the direct responsibility of each county.

NCHC manages North Central Health Care Facilities (NCHCF), which includes a licensed 16-bed psychiatric hospital providing care and treatment for residents of Langlade, Lincoln, and Marathon Counties affected by mental illness, chemical dependency, or developmental disability to enable them to better their lives. Inpatient, outpatient, transitional living, and day services are provided to meet these needs.

NCHC also manages Mount View Care Center (MVCC), a nursing home on the NCHCF campus licensed as a 160-bed skilled nursing facility for the benefit of Marathon County. NCHC operates 12 of the nursing home beds as a unit for individuals needing specialized short- and long-term ventilator care.

Beginning January 1, 2020, NCHC also manages Pine Crest Nursing Home ("Pine Crest"), a 120-bed skilled nursing facility for the benefit of Lincoln County.

Basis of Presentation

The accompanying combined financial statements include the operations of NCHCF (51.42/.437), MVCC, and Pine Crest. All significant interfund accounts are eliminated.

Method of Accounting

NCHC's financial statements are presented using the flow of economic resources measurement focus, which uses the accrual basis of accounting. NCHC applies all applicable standards issued by the Governmental Accounting Standards Board (GASB).

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during that period. Actual results may differ from these estimates.

Cash Equivalents

NCHC considers all liquid debt instruments with an original maturity of twelve months or less to be cash equivalents.

Investments and Assets Limited as to Use

NCHC is authorized by Wisconsin Statute 66.0603 to invest in obligations of the U.S. Treasury, agencies and instrumentalities, obligations of Wisconsin governmental units, time deposits with maturities of less than three years in any financial institution in Wisconsin, bonds of authorized special-purpose districts, any security that matures in less than seven years which has the highest or second highest rating category, the State of Wisconsin Local Government Investment Pool, and other qualifying investment pools. Investments and assets limited as to use, consisting of certificates of deposit with an original maturity of more than three months, are stated at cost, which approximates fair value. Assets limited as to use include assets designated by the Board of Directors for acquisition of capital assets and amounts designated for contingency.

Patient Accounts Receivables and Credit Policy

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from residents of Marathon, Langlade, and Lincoln Counties, most of whom are insured under third-party payor agreements. NCHC bills third-party payors on each patient's behalf or, if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patient's responsibility. Payments on accounts receivable are applied to the specific claim identified on the remittance advice or statement. NCHC does not have a policy to charge interest on past due accounts.

The carrying amounts of accounts receivable are reduced by allowances that reflect management's best estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient receivables. In addition, management provides for probable uncollectible amounts, primarily from uninsured patients and amounts for which patients are personally responsible, through a charge to operations and a credit to a valuation allowance based on its assessment of historical collection likelihood and the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable.

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivables and Credit Policy (Continued)

Patient accounts receivable are recorded in the accompanying statement of net position net of contractual adjustments and allowance for doubtful accounts.

In evaluating the collectibility of accounts receivable, NCHC analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, NCHC analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts for expected doubtful deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), NCHC records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Inventory

Inventory is valued at the lower of cost, determined on the first-in, first-out (FIFO) method, or net realizable value.

Capital Assets and Depreciation

Capital assets are recorded at cost if purchased, at fair value at date of donation, or net book value if transferred from a related party. Maintenance and repair costs are charged to expense as incurred. Gain or loss on disposition of capital assets is reflected in nonoperating gains or losses. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives range from 10 to 40 years for land improvements, buildings and building improvements, and fixed equipment and from 3 to 15 years for other equipment.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from income or loss before contributed capital. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted expendable net position. Absent explicit donor stipulations about how long these assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Impairment

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses, if any, are reported in the statement of revenue, expenses, and changes in net position. No impairment loss was recorded in 2022 or 2021.

Lease Accounting

NCHC is a lessee in multiple noncancelable lease agreements. If the agreement provides NCHC the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be an agreement to be recorded as a right-of-use asset (ROU). ROU assets and related liabilities are recognized at the agreement commencement date based on the present value of the future agreement payments over the expected agreement term. The ROU asset is also adjusted for any agreement made, agreement incentives received, and initial direct costs.

The liability is initially and subsequently recognized based on the present value of its future agreement payments. Variable payments are included in the future agreement payments when those variable payments depend on an index or a rate. Increases (decreases) to variable agreement payments due to subsequent changes in an index or rate are recorded as variable expense (income) in the future period in which they are incurred.

The discount rate used is the implicit rate in the agreement, if it is readily determinable, or NCHC's incremental borrowing rate. The implicit rates of NCHC's agreements are not readily determinable, and accordingly, NCHC uses the incremental borrowing rate based on the information available at the commencement date for all agreements. NCHC's incremental borrowing rate for an agreement is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the agreement payments under similar terms and in a similar economic environment.

The ROU asset for an agreement is amortized on a straight-line basis over the agreement term. For agreements with payments that fluctuate over the agreement term, the total agreement costs are recognized on a straight-line basis over the agreement term.

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Lease Accounting (Continued)

For all underlying classes of assets, NCHC has elected to not recognize ROU assets and related liabilities for short-term agreements that have a lease term of 12 months or less at the agreement commencement and do not include an option to purchase the underlying asset that NCHC is reasonably certain to exercise. Agreements containing termination clauses in which either party may terminate the agreement without cause and the notice period is less than 12 months are deemed short-term agreements with agreement costs included in current year expense. NCHC recognizes short-term agreement cost on a straight-line basis over the agreement term.

Compensated Absences

NCHC has a paid leave time system for all paid time off from work. Paid leave time is available for use as it is earned. Paid leave time is accrued in varying amounts based on job classification and length of service. Employees are paid for accrued paid leave time upon resignation provided they have completed twelve months of service, have given proper notice, and have not been terminated for misconduct.

Pensions

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's fiduciary net position have been determined on the same basis as they are reported by the 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.

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the Net OPEB Liability, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post-Employment Benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources expense until then. NCHC reports deferred outflows of resources related to pensions and life insurance for its proportionate shares of collective deferred outflows of resources related to pensions and life insurance, and NCHC contributions to pension and life insurance plans subsequent to the measurement date of the collective net pension and life insurance liability.

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. NCHC reports deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions and life insurance.

Net Position

Net position of NCHC is classified in three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* must be used for a particular purpose, as specified by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. *Unrestricted net position* is remaining net position that does not meet the definitions above.

When both restricted and unrestricted resources are available for use, it is NCHC's policy to use externally restricted resources first.

Operating Revenue and Expenses

NCHC's statements of revenue, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue includes exchange transactions associated with providing healthcare services, government grants, and county appropriations designated for operations. Operating expenses are all expenses incurred to provide healthcare services.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

For uninsured patients who do not qualify for community care, NCHC recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). Based on historical experience, a significant portion of NCHC's uninsured patients will be unable or unwilling to pay for the services provided. Thus, NCHC records a significant provision for bad debts related to uninsured patients in the period services are provided. This provision is offset by recoveries that are received on prior-year bad debts from patient payments.

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Charity Care

NCHC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. NCHC maintains records to identify the amount of charges forgone for services and supplies furnished under its charity care policy. Because NCHC does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

Operating Deficit Grants

The Supplemental Payment (SP) program, the Certified Public Expenditures program, the Wisconsin Medicaid Cost Reporting (WIMCR) grants, and the Comprehensive Community Services (CCS) program grants are recorded as part of net patient service revenue at the estimated realizable amount from the Wisconsin Department of Health Services. These programs provide for the allocation of federal funds to facilities owned and operated by a local government unit, such as a county, city, or village, in an effort to reduce overall operating deficits from the nursing home (SP) and certain hospital outpatient services (WIMCR).

Grants and Contributions

Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Contributions that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Unemployment Compensation

NCHC has elected reimbursement financing under provisions of the Wisconsin unemployment compensation laws. Unemployment claims are paid to the State of Wisconsin as incurred.

New Accounting Pronouncement

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement enhances the relevance and consistency of reporting for NCHC's leasing activities by establishing requirements for lease accounting based on the principle that leases are financings of underlying ROU assets. A lessee is required to recognize a lease liability and intangible ROU lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. NCHC adopted this guidance for the year ended December 31, 2022. The adoption of this guidance did not affect beginning or ending net position for the year ended December 31, 2021, and, accordingly, restatement of beginning December 31, 2021, net position was not necessary.

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 2: Reimbursement Arrangement With Third-Party Payors

NCHC has agreements with third-party payors that provide for reimbursement to NCHC at amounts which vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

Medicare

In 2022 and 2021, approximately 22% and 25%, respectively, of NCHC's patient service revenue was for services provided to patients whose bills are paid in whole or in part by the Medicare program.

Inpatient hospital services rendered to Medicare program beneficiaries are paid based on prospectively determined rates based on a patient classification system. Outpatient hospital services are paid primarily on prospectively determined rates also based on a patient classification system or fixed fee schedules. Nursing home resident care is paid based on a predetermined rate per inpatient day, which varies depending on the patient's level of care and types of services provided.

Medicaid

In 2022 and 2021, approximately 67% and 63%, respectively, of NCHC's patient service revenue was for services provided to patients whose bills are paid in whole or in part by the Medicaid program. Hospital and nursing home services rendered to Medicaid program beneficiaries are reimbursed primarily based upon prospectively determined rates which vary depending on the patient's level of care and types of services provided.

Accounting for Contractual Adjustments

NCHC's hospital is reimbursed for cost-reimbursable items at an interim rate with final settlements determined after audit of NCHC's related annual cost reports by the Medicare fiscal intermediary. Estimated provisions to approximate the final expected settlements after review by the intermediary are included in the accompanying financial statements.

Compliance

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, particularly those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Violations of these laws and regulations by healthcare providers could result in the imposition of fines and penalties, as well as repayments of previously billed and collected revenue from patient services. Management believes NCHC is in substantial compliance with current laws and regulations.

Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that may have been made to healthcare providers and that were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. NCHC has not been notified by the RAC of any potential significant reimbursement adjustments.

North Central Community Services Program and Affiliates d/b/a North Central Health Care

Notes to Combined Financial Statements

Note 3: Cash and Cash Equivalents and Investments

Deposits and Investments

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, NCHC's deposits and investments may not be returned to NCHC. Amounts on deposit with depository entities are insured up to \$250,000 by the FDIC and up to an additional \$400,000 by the State of Wisconsin Public Deposit Guarantee program. NCHC has a policy to collateralize all amounts which exceed the FDIC and State of Wisconsin Public Deposit Guarantee program limits.

Interest Rate and Credit Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, NCHC's investment policy limits its investment portfolio to certificates of deposit, the local government investment pool, and government obligations such as treasury bills and treasury notes. As of December 31, 2022, NCHC's investments and assets limited as to use consisted of cash and cash equivalents totaling \$1,000,000 and certificates of deposit totaling \$1,810,537 maturing in less than one year.

Concentration of Credit Risk - NCHC's custodial credit risk policy for investments allows for no more than 60% of its investment portfolio in one bank or one issue.

At December 31, 2022 and 2021, NCHC's bank balances, which include certificates of deposits held as investments totaled \$11,149,772 and \$11,166,523, respectively. NCHC bank balances which were not insured, guaranteed, or collateralized as of December 31, 2022 and 2021 totaled \$160,536 and \$2,358,860 respectively.

Note 4: Patient Accounts Receivable - Net

Patient accounts receivable consisted of the following at December 31:

	2022		
	51.42/.437 Program	Nursing Homes	Total
Patient accounts receivable	\$ 7,976,413	\$ 3,586,389	\$ 11,562,802
Less:			
Contractual adjustments	4,414,545	5,468	4,420,013
Allowance for bad debts	185,939	197,616	383,555
Patient accounts receivable - Net	\$ 3,375,929	\$ 3,383,305	\$ 6,759,234
	2021		
	51.42/.437 Program	Nursing Homes	Total
Patient accounts receivable	\$ 8,253,322	\$ 3,668,222	\$ 11,921,544
Less:			
Contractual adjustments	3,591,636	11,132	3,602,768
Allowance for bad debts	221,144	448,396	669,540
Patient accounts receivable - Net	\$ 4,440,542	\$ 3,208,694	\$ 7,649,236

North Central Community Services Program and Affiliates d/b/a North Central Health Care

Notes to Combined Financial Statements

Note 5: Net Patient Service Revenue

Net patient service revenue consisted of the following:

	2022		
	51.42/.437 Program	Nursing Homes	Total
Gross patient service revenue:			
Medical Assistance	\$ 42,947,195	\$ 19,554,729	\$ 62,501,924
Medicare	14,948,315	5,795,632	20,743,947
Private pay	1,862,958	2,526,311	4,389,269
Insurance and other	3,487,404	1,092,565	4,579,969
Totals	63,245,872	28,969,237	92,215,109
Less:			
Contractual adjustments	22,277,282	14,711	22,291,993
Provision for bad debts	903,122	232,749	1,135,871
Net patient service revenue	\$ 40,065,468	\$ 28,721,777	\$ 68,787,245

	2021		
	51.42/.437 Program	Nursing Homes	Total
Gross patient service revenue:			
Medical Assistance	\$ 31,908,619	\$ 19,124,298	\$ 51,032,917
Medicare	13,989,786	6,389,484	20,379,270
Private pay	3,016,945	1,634,640	4,651,585
Insurance and other	3,517,470	1,085,875	4,603,345
Totals	52,432,820	28,234,297	80,667,117
Less:			
Contractual adjustments	18,745,436	579,521	19,324,957
Provision for bad debts	373,628	120,985	494,613
Net patient service revenue	\$ 33,313,756	\$ 27,533,791	\$ 60,847,547

Note 6: Charity Care

NCHC provides healthcare services and other financial support through various programs that are designed, among other matters, to enhance the health of the community including the health of low-income patients. Consistent with the mission of NCHC, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources.

Patients who meet certain criteria for community care, generally based on federal poverty guidelines, are provided care based on qualifying criteria as defined in NCHC's charity care policy and from applications completed by patients and their families.

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 6: Charity Care (Continued)

The estimated cost of providing care to patients under NCHC's community care policy was approximately \$1,445,000 and \$2,343,000 in 2022 and 2021, respectively, calculated by multiplying the ratio of cost to gross charges by the gross uncompensated charges associated with providing community care.

Note 7: Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

	January 1, 2022	Increases	Decreases	December 31, 2022
Nondepreciable capital assets:				
Right-of-use assets owned by Counties:				
Land	\$ 65,133	\$ -	\$ -	\$ 65,133
Construction in progress	4,155,549	15,945,275	(1,526,349)	18,574,475
Total nondepreciable capital assets	4,220,682	15,945,275	(1,526,349)	18,639,608
Depreciable capital assets:				
Right-of-use assets:				
Owned by counties	103,541,711	312,019	(1,768,852)	102,084,878
Other equipment	130,361	-	-	130,361
Other equipment	18,322,858	82,511	(2,655,745)	15,749,624
Total depreciable capital assets	121,994,930	394,530	(4,424,597)	117,964,863
Less - Accumulated depreciation:				
Right-of-use assets:				
Owned by counties	40,369,519	3,443,880	(1,674,457)	42,138,942
Other equipment	83,810	27,936	-	111,746
Other equipment	15,081,845	823,019	(2,587,931)	13,316,933
Total accumulated depreciation	55,535,174	4,294,835	(4,262,388)	55,567,621
Total depreciable capital assets - Net	66,459,756	(3,900,305)	(162,209)	62,397,242
Total capital assets - Net	\$ 70,680,438	\$ 12,044,970	\$ (1,688,558)	\$ 81,036,850

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 7: Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2021, was as follows:

	January 1, 2021	Increases	Decreases	December 31, 2021
Nondepreciable capital assets:				
Right-of-use assets owned by Counties:				
Land	\$ 65,133	\$ -	\$ -	\$ 65,133
Construction in progress	22,840,218	20,037,924	(38,722,593)	4,155,549
Total nondepreciable capital assets	22,905,351	20,037,924	(38,722,593)	4,220,682
Depreciable capital assets:				
Right-of-use assets:				
Owned by counties	65,737,007	38,374,865	(570,161)	103,541,711
Other equipment	130,361	-	-	130,361
Other equipment	17,885,542	508,236	(70,920)	18,322,858
Total depreciable capital assets	83,752,910	38,883,101	(641,081)	121,994,930
Less - Accumulated depreciation:				
Right-of-use assets:				
Owned by counties	38,407,325	2,532,355	(570,161)	40,369,519
Other equipment	55,874	27,936	-	83,810
Other equipment	14,303,349	832,420	(53,924)	15,081,845
Total accumulated depreciation	52,766,548	3,392,711	(624,085)	55,535,174
Total depreciable capital assets - Net	30,986,362	35,490,390	(16,996)	66,459,756
Total capital assets - Net	\$ 53,891,713	\$ 55,528,314	\$ (38,739,589)	\$ 70,680,438

In 2018, NCHC began planning for a significant master facility project at the Wausau campus. The project, which includes the aquatic pool and a redesign of the Wausau campus, is expected to be completed in 2023. Project related expenditures through December 31, 2022, have been financed with cash and cash equivalents of NCHC and right-of-use lease obligations discussed in Note 8. NCHC had commitments related to this master facility plan project totaling \$12.2 million at December 31, 2022. The remaining costs associated with this project are expected to be financed with federal and state grants.

Construction in progress at December 31, 2022 and 2021, consisted primarily of master facility plan related costs.

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 8: Leases

NCHC has a ground/facility lease and use agreement with Marathon County under which NCHC leases facilities on the Wausau Campus from Marathon County. The term of the Lease shall match the term of the Tri County Agreement discussed in Note 1. The Tri-County Agreement term expires May 1, 2027 but can be extended upon agreement among the counties. NCHC also has a nursing home management agreement for management and operation of Pine Crest Nursing Home including use of the Pine Crest Facility owned by Lincoln County.

Marathon and Lincoln County have both issued long term debt to finance construction and remodeling of the leased space discussed above. Payments under the lease agreements are based on the related long term debt issued by Marathon and Lincoln County, respectively.

The right of use lease agreement with Marathon County includes annual principal and interest payments, in varying amounts, beginning in 2024 and extending through 2045. Interest rates on the right of use lease agreement with Marathon County vary from 2.05% in 2045 to 2.64% in 2022. The principal and interest payments, through 2045, are intended to reimburse Marathon County for the principal and interest payments of the related long term debt over the term of the debt which extends to 2045.

The right-of-use lease agreement with Lincoln County also includes varying annual principal and interest payments. These principal and interest payments are based on \$6,950,000 General Obligation Refunding Bonds issued in 2017 (the "Series 2017 Bonds") maturing December 1, 2036, and \$2,600,000 Note Anticipation Notes issued in 2017 (the "Notes") maturing December 1, 2021 (collectively the "Securities"). Proceeds of the Securities were used to refund Series 2016 Note Anticipation Notes and pay for additional costs of a construction project to enhance the Pine Crest facilities. The Series 2017 Bonds carry interest rates ranging from 2.0% to 3.5%. The Notes carried an interest rate of 2.09% with the balance due on December 1, 2021. On December 1, 2021, Lincoln County issued \$2,595,000 in General Obligation Refunding Bonds ("Series 2021 Bonds") to refinance the Notes. The Series 2021 Bonds carry interest rates varying from .65% to 3.00% and mature in varying amounts through December 1, 2038.

In addition, NCHC has lease agreements for other equipment which has a remaining obligation of \$20,584 and \$47,906 at December 31, 2022 and 2021, respectively.

Lease payable activity for the year ended December 31, 2022, was as follows:

	January 1, 2022	Additions	Reductions	December 31, 2022	Amounts Due Within One Year
Marathon County	\$ 46,514,177	\$ 14,107,366	\$ -	\$ 60,621,543	\$ -
Lincoln County					
Obligation balance	8,455,000	-	(395,000)	8,060,000	405,000
Deferred premium	343,930	-	(23,729)	320,201	-
Other equipment	47,906	-	(27,322)	20,584	20,584
Totals	\$ 55,361,013	\$ 14,107,366	\$ (446,051)	\$ 69,022,328	\$ 425,584

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 8: Leases (Continued)

Lease payable activity for the year ended December 31, 2021, was as follows:

	January 1, 2021	Additions	Reductions	December 31, 2021	Amounts Due within One Year
Marathon County	\$ 28,137,785	\$ 18,530,021	\$ (153,629)	\$ 46,514,177	\$ 839,358
Lincoln County					
Obligation balance	8,830,000	2,595,000	(2,970,000)	8,455,000	395,000
Deferred premium	307,962	65,188	(29,220)	343,930	-
Other equipment	75,892	-	(27,986)	47,906	27,986
Totals	\$ 37,351,639	\$ 21,190,209	\$ (3,180,835)	\$ 55,361,013	\$ 1,262,344

Future minimum lease payments are as follows:

	Principal	Interest	Total
2023	\$ 425,584	\$ 227,010	\$ 652,594
2024	731,689	1,900,051	2,631,740
2025	1,281,851	1,849,319	3,131,170
2026	1,842,054	1,788,246	3,630,300
2027	2,417,297	1,532,703	3,950,000
2028-2032	16,554,476	7,186,443	23,740,919
2033-2037	18,953,361	4,726,846	23,680,207
2038-2042	18,675,571	2,374,478	21,050,049
2043-2047	7,820,244	437,707	8,257,951
Totals	\$ 68,702,127	\$ 22,022,803	\$ 90,724,930

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 9: Net Position

Net position consisted of the following:

	Marathon County			Lincoln County			Langlade County	Total
	51.42/.437 Program	MVCC	Total	51.42/.437 Program	Pine Crest	Total		
Balance at December 31, 2020	\$ 23,418,512	\$ 8,283,587	\$ 31,702,099	\$ 3,085,047	\$ 2,494,728	\$ 5,579,775	\$ 1,912,632	\$ 39,194,506
Income (loss) before contributed capital	(2,283,694)	(445,029)	(2,728,723)	(363,330)	(843,299)	(1,206,629)	(198,475)	(4,133,827)
Contributed capital	(50,565)	-	(50,565)	-	-	-	-	(50,565)
Balance at December 31, 2021	21,084,253	7,838,558	28,922,811	2,721,717	1,651,429	4,373,146	1,714,157	35,010,114
Income (loss) before contributed capital	2,175,706	885,220	3,060,926	696,036	(383,370)	312,666	181,327	3,554,919
Contributed capital	(40,294)	-	(40,294)	-	-	-	-	(40,294)
Balance at December 31, 2022	\$ 23,219,665	\$ 8,723,778	\$ 31,943,443	\$ 3,417,753	\$ 1,268,059	\$ 4,685,812	\$ 1,895,484	\$ 38,524,739

Note 10: Related-Party Transactions

NCHC 51.42/.437 operations are financed, in part, by Marathon, Langlade, and Lincoln Counties. Contributions for operations are based on NCHC budget amounts. A Joint County Human Services Agreement delineates the methodology for calculating each county's actual contribution and the resulting overpayment or underpayment for that particular year. NCHC also receives contributions from Marathon County and Lincoln County for the nursing home operations.

In 2022, NCHC received \$6,936,243, \$1,217,853, and \$299,690, and in 2021, NCHC received \$6,488,918, \$1,217,853, and \$456,273 from Marathon, Lincoln, and Langlade Counties, respectively, to assist in meeting operating costs. In 2022 and 2021, NCHC contributed capital to Marathon County, in terms of contributed depreciation expense, of \$40,294 and \$50,565, respectively, for capital assets.

In 2022, Marathon County awarded NCHC with \$1,850,000 of ARPA funding to support deficits incurred by MVCC, the youth behavioral hospital, and the Marathon County based outpatient program. This amount is recorded in other revenue in the statement of revenue, expenses, and changes in net position and in other receivables.

At December 31, 2022 and 2021, NCHC had other receivables due from Marathon County of \$82,220 and \$37,563, respectively. At December 31, 2021, NCHC had amounts payable to Lincoln County of \$165,983.

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 10: Related-Party Transactions (Continued)

The City-County Information Technology Commission (the "Commission") is a joint and cooperative agreement between Marathon County, the City of Wausau, and NCHC. The purpose of the commission is to provide for the implementation and operation of a cooperative data and management system and to foster efficiency in the provision of services under the direction of the governing Board of Commissioners. The CCITC is governed by an eight member Board of Commissioners consisting of the City of Wausau Mayor and Finance Director, Marathon County Chairman of the Board of Supervisors, County Administrator, and NCHC CEO and Finance Director. The Board of Commissioners has the authority to fix cost sharing charges for members in an amount sufficient to provide the funds required by the budget. Funding for services is recovered through three sources. At December 31, 2022 and 2021, the City, County, and NCHC split the operating costs not recovered through outside user fees 21%, 45%, and 33%, respectively. Each member pays one-third of capital costs, unless otherwise shown to benefit only one owner. In 2022 and 2021, NCHC paid \$1,718,424 and \$1,661,637, respectively, to the Commission for services rendered. At December 31, 2022 and 2021, NCHC had accounts payable due to CCITC totaling \$113,291 and \$64,255, respectively.

Note 11: Employee Retirement Plans - Wisconsin Retirement System

Plan Description - The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees), and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the WRS.

ETF issued a standalone WRS 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 December 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.

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 11: Employee Retirement Plans - Wisconsin Retirement System (Continued)

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.

Postretirement Adjustments - The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with Sec. 40.27 of the Wisconsin Statutes. An increase (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
2012	(7.0)%	(7.0)%
2013	(9.6)%	9.0 %
2014	4.7 %	25.0 %
2015	2.9 %	2.0 %
2016	0.5 %	(5.0)%
2017	2.0 %	4.0 %
2018	2.4 %	17.0 %
2019	- %	(10.0)%
2020	1.7 %	21.0 %
2021	5.1 %	13.0 %

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 executive and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee-required contribution unless provided for by an existing collective bargaining agreement.

During the years ended December 31, 2022 and 2021, the WRS recognized \$2,588,420 and \$2,603,048, respectively, in contributions from the employer.

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 11: Employee Retirement Plans - Wisconsin Retirement System (Continued)

NCHC has employees in only the general category, which had the following contribution rates as of December 31:

	2022 and 2021	
	Employee	Employer
General (including teachers)	6.75 %	6.75 %

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2022 and 2021, NCHC reported an asset of \$17,453,928 and \$14,388,349, respectively, for its proportionate share of the net pension asset. The net pension asset was measured as of the calendar year that falls within NCHC's fiscal year and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation one year prior to that date rolled forward to the measurement date. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. NCHC's proportion of the net pension liability was based on NCHC's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2022 and 2021, NCHC's proportion was .21531584% and .20284075% (an increase of .01247509% from the prior year), respectively.

For the years ended December 31, 2022 and 2021, NCHC recognized WRS retirement contribution pension expense of \$(1,076,355) and \$(1,703,610), respectively.

At December 31, 2022 and 2021, NCHC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,195,940	\$ -	\$ 20,824,359	\$ -
Changes in assumptions	3,256,306	-	326,356	-
Net differences between projected and actual earnings on pension plan investments	-	39,045,891	-	27,012,953
Changes in proportion and differences between employer contributions and proportionate share of contributions	197,587	2,033,231	279,147	4,485,529
Employer contributions subsequent to the measurement date	2,609,631	105,449	2,582,954	59,638
Totals	\$ 34,259,464	\$ 41,184,571	\$ 24,012,816	\$ 31,558,120

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 11: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Deferred outflows of resources, totaling \$34,259,464 at December 31, 2022, related to pension resulting from NCHC's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

2022	\$	(762,116)
2023		(4,687,233)
2024		(2,070,333)
2025		(2,015,056)

Actuarial Assumptions - The total pension asset in the actuarial valuations used for the year ended December 31, 2022 and 2021, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2022	2021
Actuarial valuation date	December 31, 2020	December 31, 2019
Measurement date of net pension liability	December 31, 2021	December 31, 2020
Actuarial cost method	Entry Age	Entry Age
Asset valuation method	Fair Market Value	Fair Market Value
Long-term expected rate of return	6.8 %	7.0 %
Discount rate	6.8 %	7.0 %
Salary increases:		
Inflation	3.0 %	3.0 %
Seniority/merit	.1% -5.6%	.1% -5.6%
	2020 WRS Experience Mortality	
Mortality	Tab	Wisconsin 2018 Mortality Table
Postretirement Adjustments*	1.7 %	1.9 %

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

Actuarial assumptions for 2022, are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. 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, price inflation, mortality and separation rates. The Total Pension Liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 actuarial valuation.

Actuarial assumptions for 2021 are based upon an experience study conducted in 2018 using experience from January 1, 2015, through December 31, 2017. The total pension asset for December 31, 2021, is based upon a roll-forward of the liability calculated from the December 31, 2019, actuarial valuation.

North Central Community Services Program and Affiliates d/b/a North Central Health Care

Notes to Combined Financial Statements

Note 11: Employee Retirement Plans - Wisconsin 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:

Asset Allocation Targets and Expected Returns	As of December 31, 2021		
	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return
Core fund:			
Global equities	52.0 %	6.8 %	4.2 %
Fixed income	25.0 %	4.3 %	1.8 %
Inflation sensitive assets	19.0 %	2.7 %	0.2 %
Real estate	7.0 %	5.6 %	3.0 %
Private equity/debt	12.0 %	9.7 %	7.0 %
Multi-Asset	- %	- %	- %
Total core fund	115.0 %	6.6 %	4.0 %
Variable fund:			
U.S. equities	70.0 %	6.3 %	3.7 %
International equities	30.0 %	7.2 %	4.6 %
Total variable fund	100.0 %	6.8 %	4.2 %

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 11: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Asset Allocation Targets and Expected Returns	As of December 31, 2020		
	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return
Core fund:			
Global equities	51.0 %	7.2 %	4.7 %
Fixed income	25.0 %	3.2 %	0.8 %
Inflation sensitive assets	16.0 %	2.0 %	(0.4)%
Real estate	8.0 %	5.6 %	3.1 %
Private equity/debt	11.0 %	10.2 %	7.6 %
Multi-Asset	4.0 %	5.8 %	3.3 %
Total core fund	115.0 %	6.6 %	4.1 %
Variable fund:			
U.S. equities	70.0 %	6.6 %	4.1 %
International equities	30.0 %	7.4 %	4.9 %
Total variable fund	100.0 %	7.1 %	4.6 %

New England Pension Consultants Long-Term US CPI Forecast: 2.4%

Assets allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

Single Discount Rate: A single discount rate of 6.8% was used to measure the Total Pension Liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 11: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Sensitivity of NCHC's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate:

The following presents NCHC's proportionate share of the net pension liability (asset) calculated using the current discount rate of 7.00 percent, as well as what NCHC'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 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	2022		2021	
	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)
1% decrease to the rate	6.0 %	\$ 12,384,800	6.0 %	\$ 13,695,714
Current discount rate	7.0 %	(17,453,928)	7.0 %	(14,388,349)
1% increase to rate	8.0 %	(38,932,260)	8.0 %	(35,015,855)

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

Payables to the Pension Plan - At December 31, 2022 and 2021, NCHC reported a payable of \$596,737 and \$624,033, respectively, for the outstanding amount of employer contributions to the pension plan.

Note 12: Other Postemployment Benefits - Local Retiree Life Insurance Fund

Plan Description

The Local Retiree Life Insurance Fund (LRLIF) is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible employees.

OPEB Plan Fiduciary Net Position

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found online at <http://etf.wi.gov/publications/cafr.htm>.

In addition, EFT issued a standalone Retiree Life Insurance Financial Report, which can be found at <http://eftonline.wi.gov/EFTGASBPublicWeb/gasb75Local.do>.

North Central Community Services Program and Affiliates d/b/a North Central Health Care

Notes to Combined Financial Statements

Note 12: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

Benefits Provided

The LRLIF plan provides fully paid-up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a postretirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with basic coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of December 31, 2022 and 2021, are as follows:

<u>Coverage Type</u>	<u>Employer Contribution</u>
25% Postretirement coverage	20 % of member contribution

During the years ended December 31, 2022 and 2021, the LRIF recognized \$9,200 and \$10,796, respectively, in contributions from the employer.

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2021, are as listed below:

<u>Attained Age</u>	<u>Basic</u>	<u>Supplemental</u>
Under 30	\$ 0.05	\$ 0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

*Disabled members under age 70 receive a waiver-of-premium benefit

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 12: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

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

At December 31, 2022 and 2021, NCHC reported a liability of \$2,656,853 and \$3,028,071, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. NCHC's proportion of the net OPEB liability was based on NCHC's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2021, NCHC's proportion was 0.44379105%, which was an increase of 0.04899806% from its proportion measured as of December 31, 2020.

For the years ended December 31, 2022 and 2021, NCHC recognized OPEB expense of \$(128,351) and \$231,655, respectively.

At December 31, 2022 and 2021, NCHC reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 135,152	\$ -	\$ 144,488
Changes in assumptions	797,797	128,778	1,177,962	207,767
Net differences between projected and actual earnings on pension plan investments	35,137	-	59,160	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	283,578	53,960	348,056	194,025
Employer contributions subsequent to the measurement date	8,307	-	10,901	-
Totals	\$ 1,124,819	\$ 317,890	\$ 1,596,079	\$ 546,280

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 12: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

Deferred outflows of resources, totaling \$8,307 and \$10,901, respectively, at December 31, 2022 and 2021, resulting from NCHC's contributions subsequent to the measurement date, will be recognized as a decrease in the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2022	\$ 179,717
2023	175,707
2024	166,545
2025	190,510
2026	89,815
2027	(3,672)

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2022	2021
Actuarial valuation date	January 1, 2021	January 1, 2020
Measurement date of net OPEB liability (asset)	December 31, 2021	December 31, 2020
Actuarial cost method	Entry Age normal	Entry Age normal
20-year tax-exempt municipal bond yield	2.06 %	2.12 %
Long-term expected rate of return	4.25 %	4.3 %
Discount rate	2.17 %	2.3 %
Salary increases:		
Inflation	3.0 %	3.0 %
Seniority/merit	.1% - 5.6%	.1% - 5.6%
	Wisconsin 2020	
Mortality	Experience Mortality Table	Wisconsin 2018 Mortality Table

Actuarial assumptions for 2022, are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the Total OPEB Liability changed from the prior year, including the price inflation, mortality and separation rates. The Total OPEB Liability for December 31, 2021, is based upon a roll-forward of the liability calculated from the January 1, 2021, actuarial valuation.

Actuarial assumptions for 2021, are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The Total OPEB Liability for December 31, 2021, is based upon a roll-forward of the liability calculated from the January 1, 2020, actuarial valuation.

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 12: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Return on Plan Assets: The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carrier's general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investment). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return, and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

State OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2021

<i>Asset Class</i>	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S Intermediate Credit Bonds	Bloomberg US Interm Credit	45.00 %	1.68 %
US Long Credit bonds	Bloomberg US Long Credit	5.00 %	1.82 %
US Mortgages	Bloomberg US MBS	50.00 %	1.94 %
Inflation			2.30 %
Long-term expected rate of return			4.25 %

State OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2020

<i>Asset Class</i>	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. long credit bonds	Barclays Credit	50.00 %	1.47 %
U.S. mortgages	Barclays Credit	50.00 %	0.82 %
Inflation			2.20 %
Long-term expected rate of return			4.25 %

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 12: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate and expected inflation rate remain unchanged from the prior year at 4.25%. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The expected inflation rate increased from 2.20% as of December 31, 2020 to 2.30% as of December 31, 2021.

Single Discount Rate: A single discount rate of 2.17% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 2.25% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.12% as of December 31, 2020, to 2.06% as of December 31, 2021. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

Sensitivity of NCHC's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents NCHC's proportionate share of the Net OPEB Liability (Asset) calculated using the discount rate as well as what NCHC's proportionate share of the Net OPEB Liability (Asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	2022			2021		
	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase to Discount Rate (3.25%)	1% Decrease to Discount Rate (1.87%)	Current Discount Rate (2.87%)	1% Increase to Discount Rate (3.87%)

NCHC's
proportionate
share of the
net OPEB

liability (asset) \$ 3,604,392 \$ 2,656,853 \$ 1,943,870 \$ 4,119,043 \$ 3,028,071 \$ 2,203,001

North Central Community Services Program and Affiliates d/b/a North Central Health Care Notes to Combined Financial Statements

Note 12: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

Note 13: Self-Funded Insurance

NCHC has a self-funded health insurance plan that provides benefits to employees and their dependents. Health costs are expensed as incurred. Health expense is based on claims paid, reinsurance premiums, administration fees, and unpaid claims at year-end. The health plan has reinsurance to cover catastrophic individual claims over \$225,000.

NCHC also has a self-funded dental insurance plan that provides benefits to employees and their dependents. Dental costs are expensed as incurred. Dental expense is based on claims paid, administration fees, and unpaid claims at year-end. The plan covers annual individual claims up to \$1,000 and has no reinsurance.

Unpaid health and dental claims liability activity for the years ended December 31 was as follows:

	2022	2021
Unpaid claims liability at beginning	\$ 1,299,761	\$ 503,000
Claims expense	9,004,477	9,627,227
Claim payments	(9,047,577)	(8,830,466)
Unpaid claims liability at end	\$ 1,256,661	\$ 1,299,761

Note 14: Comprehensive General and Professional Liability Insurance

NCHC's comprehensive general liability insurance covers losses of up to \$1,000,000 per claim with \$3,000,000 annual aggregate for claims incurred during a policy year regardless of when the claim was filed (occurrence-based coverage). NCHC's professional liability insurance covers losses up to \$1,000,000 per claim with \$3,000,000 annual aggregate for claims reported during a policy year (claims-made coverage). NCHC also carries an umbrella liability policy of \$3,000,000 for claims reported during a policy year (claims-made coverage).

Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with NCHC. Although there exists the possibility of claims arising from services provided to patients through December 31, 2022, which have not yet been asserted, NCHC is unable to determine the ultimate cost, if any, of such possible claims and, accordingly, no provision has been made for them. These insurance policies are renewable annually and have been renewed by the insurance carrier for the annual period extending through January 1, 2024.

North Central Community Services Program and Affiliates d/b/a North Central Health Care

Notes to Combined Financial Statements

Note 15: Concentration of Credit Risk

Financial instruments that potentially subject NCHC to credit risk consist principally of cash deposits in excess of insured limits, investments of surplus operating funds, as discussed in Note 3, and accounts receivable.

Patient accounts receivable consist of amounts due from patients, their insurers, or governmental agencies. NCHC grants credit to its patients, primarily residents of Langlade, Lincoln, and Marathon Counties, for these services. NCHC is also required to meet the Wisconsin Statutes and Administrative Code under the Uniform Fee and Ability to Pay Provisions. The mix of receivables from patients and third-party payors was as follows at December 31:

	2022	2021
Medicare	19 %	17 %
Medicaid	51 %	67 %
Private pay	11 %	10 %
Insurance and other	19 %	6 %
Totals	100 %	100 %

Required Supplementary Information

North Central Community Services Program and Affiliates d/b/a North Central Health Care

Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions - Wisconsin Retirement System Last Ten Fiscal Years (When Available)

	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
NCHC's proportion of the net pension liability (asset)	0.21531584 %	0.20284075 %	0.22577999 %	0.18695914 %	0.18725416 %	0.19194538 %	0.19245642 %	0.19732891 %
NCHC's proportionate share of the net pension liability (asset)	\$ (17,453,928)	\$ (14,388,349)	\$ (7,280,177)	\$ 6,651,420	\$ (5,559,798)	\$ 1,582,088	\$ 3,127,379	\$ (4,846,938)
NCHC's covered-employee payroll during the measurement period	\$ 38,249,095	\$ 38,346,585	\$ 36,980,141	\$ 28,622,270	\$ 26,535,387	\$ 28,545,517	\$ 26,567,926	\$ 29,908,431
NCHC's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(45.63)%	(37.52)%	(19.69)%	23.24 %	(20.95)%	5.57 %	11.77 %	(18.01)%
Plan fiduciary net position as a percentage of the total pension liability (asset)	106.02 %	105.26 %	102.96 %	96.45 %	102.93 %	99.12 %	98.20 %	102.74 %
Schedule of Employer Contributions								
Contractually required contribution for the fiscal year	\$ 2,588,420	\$ 2,603,048	\$ 2,449,628	\$ 1,917,568	\$ 1,905,598	\$ 1,805,306	\$ 1,883,195	\$ 1,802,066
Contributions in relation to the contractually required contribution	(2,588,420)	(2,603,048)	(2,449,628)	(1,917,568)	(1,905,598)	(1,805,306)	(1,883,195)	(1,802,066)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NCHC's covered-employee payroll for the fiscal period	\$ 40,142,780	\$ 38,249,095	\$ 38,354,184	\$ 31,154,942	\$ 28,622,271	\$ 26,535,387	\$ 28,424,517	\$ 26,567,926
Contributions as a percentage of covered-employee payroll	6.45 %	6.81 %	6.39 %	6.15 %	6.66 %	6.80 %	6.63 %	6.78 %

Notes to the Schedules

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

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

See Independent Auditor's Report.

North Central Community Services Program and Affiliates d/b/a North Central Health Care

Schedule of the Employer's Proportionate Share of the Net OPEB Liability (Asset) and Employer Contributions - Local Retiree Life Insurance Fund Last Ten Fiscal Years (When Available)

	2022	2021	2020	2019	2018
Measurement date	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
NCHC's proportion of the net OPEB liability (asset)	0.44379105 %	0.39479299 %	0.58870230 %	0.33847600 %	0.31394900 %
NCHC's proportionate share of the net OPEB liability (asset)	\$ 2,656,853	\$ 3,028,071	\$ 2,506,809	\$ 873,382	\$ 945,541
NCHC's covered payroll	\$ 20,348,000	\$ 20,989,000	\$ 21,137,552	\$ 14,607,000	\$ 13,202,545
NCHC's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	13.06 %	14.43 %	11.86 %	5.98 %	7.15 %
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	29.57 %	31.36 %	37.58 %	48.69 %	44.81 %
Schedule of Employer Contributions					
Contractually required contribution for the fiscal period	\$ 8,307	\$ 10,901	\$ 8,285	\$ 7,618	\$ 6,543
Contributions in relation to the contractually required contribution	\$ (8,307)	\$ (10,901)	\$ (8,285)	\$ (7,618)	\$ (6,543)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
NCHC's covered-employee payroll for the fiscal period	\$ 20,348,000	\$ 20,989,000	\$ 21,137,552	\$ 14,607,000	\$ 13,507,132
Contributions as a percentage of covered-employee payroll	0.04 %	0.05 %	0.04 %	0.05 %	0.05 %

Notes to the Schedules:

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

Changes of assumptions: Several actuarial assumptions changed from the prior year, including the single discount rate, long-term expected rate of return, and expected inflation.

See Independent Auditor's Report.

**Supplementary Information - Combining Financial
Statements and Schedule of Net Position by
County, Net of GASB 68 and 75 Impact**

North Central Community Services Program and Affiliates
d/b/a North Central Health Care
Combining Statement of Net Position

December 31, 2022

Assets and Deferred Outflows of Resources	51.42/.437 Program	MVCC Nursing Home	Pine Crest Nursing Home	Total
Current assets:				
Cash and cash equivalents	\$ 6,540,014	\$ 3,428,061	\$ (1,669,759)	\$ 8,298,316
Investments	1,810,537	-	-	1,810,537
Accounts receivable:				
Patient - Net	3,375,929	2,058,902	1,324,403	6,759,234
Outpatient WIMCR/CCS	3,097,560	-	-	3,097,560
Marathon County	985,931	940,569	-	1,926,500
Net state receivable	1,405,151	-	-	1,405,151
Amounts due from other third-party reimbursement programs	90,593	-	-	90,593
Other	537,878	-	-	537,878
Inventory	332,096	43,385	15,554	391,035
Prepays and other assets	562,208	19,454	13,312	594,974
Total current assets	18,737,897	6,490,371	(316,490)	24,911,778
Noncurrent assets:				
Assets limited as to use	500,000	500,000	-	1,000,000
Restricted assets - Patient trust funds	25,402	21,961	21,472	68,835
Net pension asset	10,107,378	4,482,727	2,863,823	17,453,928
Nondepreciable capital assets	15,452,740	3,155,557	31,311	18,639,608
Depreciable capital assets - Net	18,177,583	34,579,453	9,640,206	62,397,242
Total noncurrent assets	44,263,103	42,739,698	12,556,812	99,559,613
Deferred outflows of resources - Related to pensions and life insurance	20,490,649	9,087,816	5,805,818	35,384,283
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 83,491,649	\$ 58,317,885	\$ 18,046,140	\$ 159,855,674

North Central Community Services Program and Affiliates d/b/a North Central Health Care

Combining Statement of Net Position (Continued)

December 31, 2022

Liabilities, Deferred Inflows of Resources, and Net Position	51.42/.437 Program	MVCC Nursing Home	Pine Crest Nursing Home	Total
Current liabilities:				
Current portion of right-of-use lease obligation	\$ 20,584	\$ -	\$ 405,000	\$ 425,584
Accounts payable - Trade	1,230,045	275,455	158,630	1,664,130
Accrued liabilities:				
Salaries and retirement	1,278,311	566,734	359,083	2,204,128
Compensated absences	1,279,888	567,434	359,526	2,206,848
Health and dental insurance	728,815	323,118	204,728	1,256,661
Interest	163,237	416,341	29,609	609,187
Other	68,405	30,328	19,216	117,949
Unearned revenue	21,556	-	-	21,556
Total current liabilities	4,790,841	2,179,410	1,535,792	8,506,043
Noncurrent liabilities:				
Right-of-use lease obligation	24,570,332	36,051,211	7,975,201	68,596,744
OPEB life insurance liability	1,538,554	682,365	435,934	2,656,853
Patient trust funds	25,401	21,961	21,472	68,834
Total noncurrent liabilities	26,134,287	36,755,537	8,432,607	71,322,431
Total liabilities	30,925,128	38,934,947	9,968,399	79,828,474
Deferred inflows of resources - Pensions and life insurance	24,033,619	10,659,160	6,809,682	41,502,461
Net position:				
Net investment in capital assets	9,039,407	1,683,799	1,291,316	12,014,522
Restricted for net pension assets	10,107,378	4,482,727	2,863,823	17,453,928
Unrestricted:				
Board designated for contingency	500,000	500,000	-	1,000,000
Undesignated	8,886,117	2,057,252	(2,887,080)	8,056,289
Total net position	28,532,902	8,723,778	1,268,059	38,524,739
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 83,491,649	\$ 58,317,885	\$ 18,046,140	\$ 159,855,674

See Independent Auditor's Report.

**North Central Community Services Program and Affiliates
d/b/a North Central Health Care
Combining Statement of Revenue, Expenses, and Changes in Net Position**

Year Ended December 31, 2022

	51.42/.437 Program	MVCC Nursing Home	Pine Crest Nursing Home	Eliminations	Total
Revenue:					
Net patient service revenue	\$ 40,065,468	\$17,314,903	\$11,406,874	\$ -	\$ 68,787,245
Other revenue:					
State grant-in-aid	5,040,270	-	-	-	5,040,270
State match/addendum	2,709,134	-	-	-	2,709,134
Other grants	2,298,575	943,569	3,000	-	3,245,144
Counties' appropriations and other support	4,975,347	2,860,613	617,815	-	8,453,775
Departmental and other revenue	2,503,751	391,536	398,076	-	3,293,363
Total other revenue	17,527,077	4,195,718	1,018,891	-	22,741,686
Total revenue	57,592,545	21,510,621	12,425,765	-	91,528,931
Expenses:					
Salaries	24,635,787	10,922,185	6,920,306	-	42,478,278
Fringe benefits:					
WRS Retirement - GASB 68	(2,134,392)	(946,625)	(604,758)	-	(3,685,775)
WRS Retirement - GASB 75	(74,326)	(32,965)	(21,060)	-	(128,351)
WRS Retirement - Contributions	1,511,086	670,183	428,151	-	2,609,420
Other fringe benefits	7,291,279	3,233,767	2,065,916	-	12,590,962
Supplies and other	21,388,877	4,097,552	3,053,539	-	28,539,968
Depreciation	1,213,703	2,295,676	745,162	-	4,254,541
Care of patients at other facilities	576,960	-	-	-	576,960
Total expenses	54,408,974	20,239,773	12,587,256	-	87,236,003
Operating Income (loss)	3,183,571	1,270,848	(161,491)	-	4,292,928
Nonoperating revenue (expense):					
Interest expense	(163,946)	(338,791)	(223,112)	-	(725,849)
Interest income	76,214	-	-	-	76,214
Gain (loss) on disposal of capital assets	(42,770)	(46,837)	1,233	-	(88,374)
Total nonoperating expense	(130,502)	(385,628)	(221,879)	-	(738,009)
Income (loss) before contributed capital	3,053,069	885,220	(383,370)	-	3,554,919
Contributions to Marathon County for capital assets	(40,294)	-	-	-	(40,294)
Change in net position	3,012,775	885,220	(383,370)	-	3,514,625
Net position at beginning	25,520,127	7,838,558	1,651,429	-	35,010,114
Net position at end	\$ 28,532,902	\$ 8,723,778	\$ 1,268,059	\$ -	\$ 38,524,739

See Independent Auditor's Report.

North Central Community Services Program and Affiliates
d/b/a North Central Health Care
Combining Statement of Cash Flows

Year Ended December 31, 2022

	51.42/.437 Program	MVCC Nursing Home	Pine Crest Nursing Home	Total
Increase (decrease) in cash and restricted cash:				
Cash flows from operating activities:				
Cash received from patients, third-party reimbursement programs, and other revenue	\$ 51,493,127	\$ 17,847,236	\$ 11,495,542	\$ 80,835,905
Cash received from Marathon County appropriations and other support	4,023,132	1,500,000	440,815	5,963,947
Cash received from other counties' appropriations and other support	952,215	1,360,613	177,000	2,489,828
Cash paid to employees for services	(26,594,286)	(12,182,620)	(7,516,852)	(46,293,758)
Cash paid to suppliers for goods and services	(28,363,418)	(7,860,481)	(5,106,282)	(41,330,181)
Net cash from operating activities	1,510,770	664,748	(509,777)	1,665,741
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(222,345)	(305,033)	(63,973)	(591,351)
Principle payments on right of use lease obligations	(27,932)	-	(395,000)	(422,932)
Interest paid	(709)	-	(236,980)	(237,689)
Net cash from capital and related financing activities	(250,986)	(305,033)	(695,953)	(1,251,972)
Cash flows from investing activities:				
Decrease in investments	4,990,525	-	-	4,990,525
Interest received	76,214	-	-	76,214
Net cash from investing activities	5,066,739	-	-	5,066,739
Net change in cash and restricted cash	6,326,523	359,715	(1,205,730)	5,480,508
Cash and restricted cash at beginning	238,893	3,090,307	(442,557)	2,886,643
Cash and restricted cash at end	\$ 6,565,416	\$ 3,450,022	\$ (1,648,287)	\$ 8,367,151

**North Central Community Services Program and Affiliates
d/b/a North Central Health Care**

Combining Statement of Cash Flows (Continued)

Year Ended December 31, 2022

	51.42/.437 Program	MVCC Nursing Home	Pine Crest Nursing Home	Total
Reconciliation of operating loss to net cash and restricted cash from operating activities:				
Operating income (loss)	\$ 3,183,571	\$ 1,270,848	\$ (161,491)	\$ 4,292,928
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Provision for depreciation	1,904,680	1,583,857	725,710	4,214,247
Provision for bad debts	1,014,886	91,800	29,185	1,135,871
Pension expense	(2,015,361)	(1,183,260)	(615,502)	(3,814,123)
Changes in operating assets and liabilities:				
Accounts receivable	(2,129,946)	(894,572)	(341,593)	(3,366,111)
Inventory	116,046	(1,240)	10,981	125,787
Other current assets	(223,532)	3,638	(878)	(220,772)
Resident trust funds	(20,125)	(1,780)	(9,518)	(31,423)
Accounts payable	(367,300)	(127,368)	(165,627)	(660,295)
Accrued liabilities	56,862	(77,175)	18,956	(1,357)
Unearned revenue	(9,011)	-	-	(9,011)
Total adjustments	(1,672,801)	(606,100)	(348,286)	(2,627,187)
Net cash from operating activities	\$ 1,510,770	\$ 664,748	\$ (509,777)	\$ 1,665,741
Reconciliation of cash and restricted cash to balance sheet:				
Cash	\$ 6,540,014	\$ 3,428,061	\$ (1,669,759)	\$ 8,298,316
Restricted cash - Patient trust funds	25,402	21,961	21,472	68,835
Total cash and restricted cash	\$ 6,565,416	\$ 3,450,022	\$ (1,648,287)	\$ 8,367,151
Supplemental disclosure of cash flows information:				
Capital assets acquired under lease obligation	\$ 14,131,110	\$ -	\$ -	\$ 14,131,110

See Independent Auditor's Report.

**North Central Community Services Program and Affiliates
d/b/a North Central Health Care
Schedule of Net Position by County, Net of GASB 68 and 75 Impact
Year Ended December 31, 2022**

	Marathon County			Lincoln County			Langlade County	Total
	51.42/.437	MVCC	Total	51.42/.437	Pine Crest	Total		
Net position at December 31, 2022	\$ 23,219,665	\$ 8,723,778	\$ 31,943,443	\$ 3,417,753	\$ 1,268,059	\$ 4,685,812	\$ 1,895,484	\$ 38,524,739
Less - Net Investment in capital assets	(8,943,125)	(1,683,799)	(10,626,924)	(93,029)	(1,291,316)	(1,384,345)	(3,253)	(12,014,522)
Less - Net GASB 68/75 balance sheet amounts	(3,810,901)	(2,229,018)	(6,039,919)	(739,045)	(1,424,025)	(2,163,070)	(475,908)	(8,678,897)
Net position at December 31, 2022 - Net of capital assets and GASB 68/75 amounts	\$ 10,465,639	\$ 4,810,961	\$ 15,276,600	\$ 2,585,679	\$ (1,447,282)	\$ 1,138,397	\$ 1,416,323	\$ 17,831,320

See Independent Auditor's Report.

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

Board of Directors
North Central Community Services Program and Affiliates d/b/a North Central Health Care
Wausau, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the combined financial statements of North Central Community Services Program and Affiliates d/b/a North Central Health Care, which comprise the combined statement of financial position as of December 31, 2022, and the related combined statements of revenue, expenses, and changes in net position and cash flows for the year ended December 31, 2022, and the related notes to the combined financial statements, which collectively comprise North Central Community Services Program and Affiliates d/b/a North Central Health Care's basic financial statements, and have issued our report thereon dated May 10, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Central Community Services Program and Affiliates d/b/a North Central Health Care's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Central Community Services Program and Affiliates d/b/a North Central Health Care's internal control. Accordingly, we do not express an opinion on the effectiveness of North Central Community Services Program and Affiliates d/b/a North Central Health Care's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Central Community Services Program and Affiliates d/b/a North Central Health Care's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Central Community Services Program and Affiliates d/b/a North Central Health Care's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Wausau, Wisconsin

May 10, 2023