

# Pine Crest Nursing Home

Financial Statements and  
Supplemental Information

Years Ended December 31, 2019 and 2018



**WIPFLI**

## **Independent Auditor's Report**

Board of Trustees  
Pine Crest Nursing Home  
Merrill, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying statements of net position of Pine Crest Nursing Home as of December 31, 2019 and 2018, and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended and the related notes to the financial statements which collectively comprise Pine Crest Nursing Home's financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pine Crest Nursing Home as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

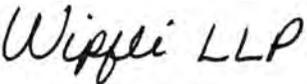
### **Correction of Error**

As discussed in Note 2 of the financial statements, certain errors resulting in understatement of accrued sick leave and overstatement of net position previously reported as of December 31, 2018, were discovered by management during the current year. Accordingly, amounts reported for accrued sick leave and net position have been restated in the 2018 financial statements now presented, to correct the error. Our opinion is not modified with respect to that matter.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States require that the schedules of employer's proportionate share of the net pension liability (asset) and employer contributions - Wisconsin Retirement System on page 33 and the schedule of the employer's proportionate share of the net OPEB liability (asset) and employer contributions - local retiree life insurance fund on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Wipfli LLP

May 21, 2020  
Wausau, Wisconsin

# Pine Crest Nursing Home

## Statements of Net Position

December 31	2019	2018
Current assets:		
Cash held by the facility	\$ 188,944	\$ 172,669
Accounts receivable - Net of allowance for doubtful accounts of \$75,000 at December 31, 2019 and 2018	1,303,841	1,049,412
Property taxes receivable - Amounts levied for subsequent year	440,815	440,815
Inventories	36,439	41,713
Prepaid expenses	35,048	37,455
Amounts receivable from State of Wisconsin Supplemental Program Awards	.	455,150
Total current assets	2,005,087	2,197,214
Capital assets Net:		
Nondepreciable capital assets	13,833	267,766
Depreciable capital assets Net	11,705,433	11,956,916
Total capital assets Net	11,719,266	12,224,682
Noncurrent asset Net pension asset WRS	-	1,170,356
Deferred outflows of resources Related to pensions and life insurance	3,869,051	2,228,509
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 17,593,404</b>	<b>\$ 17,820,761</b>

# Pine Crest Nursing Home

## Statements of Net Position (Continued)

December 31	2019	2018
<b>Current liabilities:</b>		
Current maturities of longterm debt	\$ 360,000	\$ 350,000
Accounts payable	234,946	295,650
<b>Accrued liabilities:</b>		
Payroll and payroll taxes	421,525	358,633
Vacation and sick pay	782,091	847,230
Interest payable	23,613	23,629
Amounts due to thirdparty reimbursement programs	-	3,278
Amounts due to Lincoln County	715,554	272,052
<b>Total current liabilities</b>	<b>2,537,729</b>	<b>2,150,472</b>
<b>Noncurrent liabilities:</b>		
Longterm debt	9,168,499	9,559,026
Net pension liability and life insurance liability	1,920,649	609,984
<b>Total noncurrent liabilities</b>	<b>11,089,148</b>	<b>10,169,010</b>
<b>Total liabilities</b>	<b>13,626,877</b>	<b>12,319,482</b>
<b>Deferred inflows of resources:</b>		
Pensions and life insurance	2,068,361	2,323,186
Property taxes levied for subsequent year	440,815	440,815
<b>Total deferred inflows of resources</b>	<b>2,509,176</b>	<b>2,764,001</b>
<b>Net position:</b>		
Invested in capital assets Net of related debt	2,190,767	2,315,656
Restricted	24,326	1,191,724
Unrestricted	(757,742)	(770,102)
<b>Total net position</b>	<b>1,457,351</b>	<b>2,737,278</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 17,593,404</b>	<b>\$ 17,820,761</b>

See accompanying notes to financial statements.

# Pine Crest Nursing Home

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

Years Ended December 31	2019	2018
Operating revenue:		
Net resident service revenue	\$ 14,512,267	\$ 13,544,528
Other revenue	10,480	15,248
Total operating revenue	14,522,747	13,559,776
Operating expenses:		
Salaries and wages	6,917,179	6,687,322
Employee benefits:		
WRS Retirement Contributions	410,397	411,710
WRS Retirement GASB 68	147,575	136,339
LRLIF Life Insurance GASB 75	44,373	64,462
Other fringe benefits	2,934,581	2,572,951
Supplies and other	1,545,013	1,617,262
Purchased services	2,802,064	2,131,143
Provider assessment tax	360,400	367,200
Provision for bad debts	72,602	62,283
Depreciation	713,155	690,913
Total operating expenses	15,947,339	14,741,585
Loss from operations	(1,424,592)	(1,181,809)
Nonoperating revenue (expenses):		
Interest income	991	309
Interest expense	(252,806)	(253,023)
Loss from disposal of capital assets	(45,479)	(3,717)
Other	1,144	(365)
Total nonoperating expenses	(296,150)	(256,796)
Expenses in excess of revenue, before tax levy funds received for operations	(1,720,742)	(1,438,605)
Tax levy funds received for operations	440,815	556,942
Total change in net position	(1,279,927)	(881,663)
Net position at beginning	2,737,278	3,618,941
Net position at end	\$ 1,457,351	\$ 2,737,278

See accompanying notes to financial statements.

# Pine Crest Nursing Home

## Statements of Cash Flows

Years Ended December 31	2019	2018
Increase (decrease) in cash:		
Cash flows from operating activities:		
Cash received from residents and thirdparty payors	\$ 14,637,108	\$ 13,174,747
Cash paid for wages and fringe benefits	(9,427,196)	(9,398,209)
Cash paid to supplies	(4,729,876)	(4,104,120)
Other cash received	11,624	14,883
Net cash from operating activities	491,660	(312,699)
Net cash from noncapital financing activities Tax levy funds received for operations	440,815	556,942
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(284,143)	(614,636)
Proceeds from disposal of property and equipment	301	-
Payments on longterm debt	(350,000)	(10,000)
Interest paid on longterm debt Net of amount capitalized	(283,349)	(283,551)
Net cash from capital and related financing activities	(917,191)	(908,187)
Cash flows from investing activities:		
Interest received	991	309
Change in assets limited as to use	-	792,642
Net cash from investing activities	991	792,951
Net change in cash	16,275	129,007
Cash at beginning	172,669	43,662
Cash at end	\$ 188,944	\$ 172,669

# Pine Crest Nursing Home

## Statements of Cash Flows (Continued)

Years Ended December 31	2019	2018
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ (1,424,592)	\$ (1,181,809)
Adjustments to reconcile loss from operations to net cash from operating activities:		
Provision for bad debts	72,602	62,283
Depreciation	713,155	690,913
Other	1,144	(365)
Changes in operating assets and liabilities:		
Accounts receivable	(327,031)	(101,080)
Property taxes receivable Amounts levied for subsequent year	-	116,127
Inventories	5,274	14,330
Prepaid expenses	2,407	897
Amounts receivable from State of Wisconsin Supplemental Program Awards	455,150	(155,150)
Accounts payable	(30,080)	(3,742)
Accrued payroll and payroll taxes	62,892	37,952
Accrued vacation and sick pay	(65,139)	95,557
Amounts due to thirdparty reimbursement programs	(3,278)	(113,551)
Amounts due to Lincoln County	443,502	138,171
Deferred inflows Property taxes levied for subsequent year	-	(116,127)
Net pension changes	585,654	202,895
<b>Total adjustments</b>	<b>1,916,252</b>	<b>869,110</b>
<b>Net cash from operating activities</b>	<b>\$ 491,660</b>	<b>\$ (312,699)</b>

**Supplementary Information:**

Capitalized interest paid	\$	-	\$	34,563
Depreciable capital assets in accounts payable			-	30,624

See accompanying notes to financial statements.

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies

#### The Entity

Pine Crest Nursing Home (the "Facility") is an enterprise fund of Lincoln County. The Facility operates a nursing home that provides skilled nursing care to the aged and disabled. The Facility is directed by a Board of Trustees that is appointed by the County Board of Supervisors. The operating budget of the Facility is also approved by the County Board of Supervisors.

#### Basis of Presentation

The accompanying financial statements include the operations of the Facility's business-type activities.

#### Method of Accounting

The Facility's financial statements are presented using the economic resources measurement focus which uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP). The Facility applies applicable standards issued by the Governmental Accounting Standards Board (GASB).

#### Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with 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.

#### Accounts Receivable and Credit Policy

Accounts receivable are uncollateralized resident obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Facility bills third-party payors on the residents' behalf or, if a resident is uninsured, the resident is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and residents are billed for copay and deductible amounts that are the residents' responsibility. Payments on accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Facility 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 accounts receivable. 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 resident accounts receivable.

Accounts receivable are recorded in the accompanying statements of net position, net of allowances for doubtful accounts.

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Property Taxes Receivable and Tax Levy Appropriations

For revenue recognition purposes, taxes levied during the current year are not due and available until the subsequent year. Since Lincoln County's levy is measurable at year-end, the Facility recognizes the portion of the tax levy that is levied during the current year and that will be available the subsequent year in the statement of net position as property taxes receivable and deferred inflow - property taxes levied for subsequent year.

#### Inventories

Inventories of supplies are stated 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 historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of capital assets are reflected in nonoperating revenue (expense). All capital assets other than land are depreciated using the straight-line method of depreciation based on the estimated useful lives of the respective assets. Estimated useful lives range from 5 to 15 years for furnishings, movable equipment, and vehicles and from 20 to 35 years for land improvements, buildings, and fixed equipment.

Interest cost incurred on borrowed funds during the period of construction of capital assets, less earnings on temporary investments of proceeds for specified capital projects, is capitalized as a component of the cost of acquiring those assets.

#### 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 statements of revenue, expenses, and changes in net position. There were no impairment losses recorded in 2019 or 2018.

#### Compensated Absences

The Facility's employees earn vacation days at varying rates depending on years of service. Generally, any days not used before an employee's anniversary date expire.

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Compensated Absences** (Continued)

Employees also earn sick leave benefits based on varying rates depending on years of service. Employees may accumulate sick leave up to a specified maximum. Employees are not paid for accumulated sick leave if they terminate their employment. However, employees retiring under the provisions of the Wisconsin Retirement Plan shall convert their accrued sick leave balance (up to 100 days) and any earned and unused vacation to the County's Post Employment Health Plan. Employees, who retire under the Wisconsin Retirement Plan, may participate in the County Health Care Plan at their expense until they reach the age they are eligible for Medicare. Spouses of retired non-represented employees who are eligible for Medicare are not eligible for County health insurance. This provision is not applicable for employees who go on early retirement for disability.

As discussed in Note 12, Lincoln County entered into a management agreement with North Central Health Care effective January 1, 2020. Under terms of the management agreement, North Central Health Care assumed management responsibility for the Facility, and the majority of the Facility's employees became employees of North Central Health Care. As part of this transition, the Facility's employees over the age of 55 received payment for their accrued sick leave balance.

#### **Pension Plan**

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

#### **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 Long-Term Debt Interest Premium**

Deferred long-term debt interest premium is amortized over the life of the related debt using the straight-line method. Amortization of long-term debt interest premium is reported in interest expense in the statements of revenue, expenses, and changes in net position.

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Net Position**

Net position of the Facility is classified in three components. Net position invested in capital assets net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is noncapital net position that must be used for a particular purpose as specified by creditors, grantors, or contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation external to the Facility including amounts deposited with trustees as required by revenue bond indentures. Unrestricted net position is remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

When the Facility has both restricted and unrestricted resources available to finance a particular program, it is the Facility's policy to use restricted resources before unrestricted resources.

#### **Operating Revenue and Expenses**

The Facility's statement of revenue, expenses, and changes in net position distinguishes between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare services, which is the Facility's principal activity.

Nonexchange revenue, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

#### **Net Resident Service Revenue**

Net resident service revenue is reported at the estimated net realizable amounts from residents, 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 adjusted in future periods as final settlements are determined.

#### **Supplemental Program Awards**

Supplemental Program (SP) and Certified Public Expenditure (CPE) awards are recorded at the estimated amounts realizable from the Wisconsin Department of Health Services. The program provides 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 resulting from the delivery of nursing home services. Estimated awards are recorded when earned.

#### **Unemployment Compensation**

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

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statements 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/expenditure) until then. The Facility has two items that qualify for reporting in this category. The Facility 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 the Facility contributions to pension and life insurance plans subsequent to the measurement date of the collective net pension asset.

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. The Facility reports deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions, life insurance, and property taxes levied for subsequent years.

#### Subsequent Events

Subsequent events have been evaluated through May 21, 2020, which is the date the financial statements were available to be issued. See Note 12 for information related to subsequent events.

### Note 2: Correction of Error

During 2019, management discovered that amounts recorded for accrued sick leave in the financial statements for the year ended December 31, 2018, were not calculated correctly based on the Facility's personnel policy. These financial statements have been adjusted to properly state the net position as January 1, 2018, and the accrued sick leave and net position at December 31, 2018, as follows:

	December 31, 2018		
	As Originally Reported	Corrected	Change
Statement of net position:			
Accrued vacation and sick	\$ 397,940	\$ 847,230	\$ 449,290
Total net position	3,186,568	2,737,278	(449,290)
Statements of revenue expenses and changes in net position:			
Net position at beginning	\$ 4,036,235	\$ 3,618,941	\$ (417,294)
Other fringe benefits	2,540,955	2,572,951	31,996
Ending net position	3,186,568	2,737,278	(449,290)

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### Note 3: Reimbursement Arrangements With Third-Party Payors

#### Nursing Home

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

*Medical Assistance and Family Care* – In 2019 and 2018, approximately 63% and 65%, respectively, of the Facility's revenue was for services provided to residents whose bills are paid in whole or in part by the Wisconsin Medical Assistance and Family Care program. Reimbursement is based on a predetermined rate formula under a contractual arrangement with the Medical Assistance and Family Care program under Title XIX of the Social Security Act. Rate adjustments under this program are reflected in income when determinable.

*Medicare* – In 2019 and 2018, approximately 21% and 19%, respectively, of the Facility's revenue was for services provided to residents whose bills are paid in whole or in part by the Medicare program. Medicare pays the Facility for Part A nursing home services based on a predetermined rate per resident day, which varies depending on the resident's level of care and the types of services provided. Medicare pays the Facility for Part B services based on predetermined fee schedules.

#### 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. Failure to properly comply with these laws and regulations can result in the imposition of fines and penalties, as well as repayments of previously billed and collected revenue from resident services.

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. The Facility has not been notified by the RAC of any potential significant reimbursement adjustments.

# Pine Crest Nursing Home

## Notes to Financial Statements

### Note 4: Capital Assets

Capital asset balances and activity for the year ended December 31, 2019, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 13,833	\$ -	\$ -	\$ 13,833
Construction in progress	253,933	-	253,933	-
<b>Total nondepreciable capital assets</b>	<b>267,766</b>	<b>-</b>	<b>253,933</b>	<b>13,833</b>
Depreciable capital assets:				
Land improvements	454,531	-	-	454,531
Buildings	15,771,385	108,924	157,100	15,723,209
Fixed equipment	2,484,962	270,111	36,266	2,718,807
Furnishings and movable equipment	1,495,301	128,418	55,764	1,567,955
<b>Total depreciable capital assets</b>	<b>20,206,179</b>	<b>507,453</b>	<b>249,130</b>	<b>20,464,502</b>
Less accumulated depreciation:				
Land improvements	307,016	15,290	-	322,306
Buildings	6,400,440	457,550	115,538	6,742,452
Fixed equipment	601,989	156,637	33,985	724,641
Furnishings and movable equipment	939,818	83,679	53,827	969,670
<b>Total accumulated depreciation</b>	<b>8,249,263</b>	<b>713,156</b>	<b>203,350</b>	<b>8,759,069</b>
<b>Total depreciable capital assets - Net</b>	<b>11,956,916</b>	<b>(205,703)</b>	<b>45,780</b>	<b>11,705,433</b>
<b>Total capital assets - Net</b>	<b>\$ 12,224,682</b>	<b>\$ (205,703)</b>	<b>\$ 299,713</b>	<b>\$ 11,719,266</b>

# Pine Crest Nursing Home

## Notes to Financial Statements

### Note 4: Capital Assets (Continued)

Capital asset balances and activity for the year ended December 31, 2018, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Nondepreciable capital assets:</b>				
Land	\$ 13,833	\$ -	\$ -	\$ 13,833
Construction in progress	259,020	-	5,087	253,933
<b>Total nondepreciable capital assets</b>	<b>272,853</b>	<b>-</b>	<b>5,087</b>	<b>267,766</b>
<b>Depreciable capital assets:</b>				
Land improvements	454,531	-	-	454,531
Buildings	15,350,970	432,724	12,309	15,771,385
Fixed equipment	2,407,687	77,275	-	2,484,962
Furnishings and movable equipment	1,465,743	79,100	49,542	1,495,301
<b>Total depreciable capital assets</b>	<b>19,678,931</b>	<b>589,099</b>	<b>61,851</b>	<b>20,206,179</b>
<b>Less accumulated depreciation:</b>				
Land improvements	291,726	15,290	-	307,016
Buildings	5,962,456	446,952	8,968	6,400,440
Fixed equipment	453,040	148,949	-	601,989
Furnishings and movable equipment	909,262	79,722	49,166	939,818
<b>Total accumulated depreciation</b>	<b>7,616,484</b>	<b>690,913</b>	<b>58,134</b>	<b>8,249,263</b>
<b>Total depreciable capital assets - Net</b>	<b>12,062,447</b>	<b>(101,814)</b>	<b>3,717</b>	<b>11,956,916</b>
<b>Total capital assets - Net</b>	<b>\$ 12,335,300</b>	<b>\$ (101,814)</b>	<b>\$ 8,804</b>	<b>\$ 12,224,682</b>

# Pine Crest Nursing Home

## Notes to Financial Statements

### Note 5: Long-Term Debt

Long-term debt consisted of the following at December 31, 2019 and 2018:

	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Series 2017 General Obligation Refunding Bonds with interest of 2.78%	\$ 6,940,000	\$ -	\$ 350,000	\$ 6,590,000	\$ 360,000
Series 2017 Note Anticipation Notes with interest of 2.09%	2,600,000	-	-	2,600,000	-
Deferred amounts - Premium	369,026	-	30,527	338,499	-
<b>Total</b>	<b>\$ 9,909,026</b>	<b>\$ -</b>	<b>\$ 380,527</b>	<b>\$ 9,528,499</b>	<b>\$ 360,000</b>

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Series 2017 General Obligation Refunding Bonds with interest of 2.78%	\$ 6,950,000	\$ -	\$ 10,000	\$ 6,940,000	\$ 350,000
Series 2017 Note Anticipation Notes with interest of 2.09%	2,600,000	-	-	2,600,000	-
Deferred amounts - Premium	399,554	-	30,528	369,026	-
<b>Total</b>	<b>\$ 9,949,554</b>	<b>\$ -</b>	<b>\$ 40,528</b>	<b>\$ 9,909,026</b>	<b>\$ 350,000</b>

Pursuant to a resolution adopted on November 8, 2016, Lincoln County, Wisconsin (the "County") authorized the issuance of \$7,000,000 Taxable Note Anticipation Notes ("Series 2016 NANs"), to provide interim financing for purposes of paying a portion of the cost of the construction of an addition to the nursing home facility, renovation of a portion of the existing nursing home, and acquisition of related equipment. The Series 2016 NANs dated December 1, 2016, matured on March 1, 2017. On February 14, 2017, the County issued \$6,950,000 General Obligation Refunding Bonds (the "Bonds") maturing December 1, 2036, and \$2,600,000 Note Anticipation Notes (the "Notes") maturing December 1, 2021, (collectively the "Securities"). Proceeds of the Securities were used to refund the Series 2016 NANs at maturity on March 1, 2017, with the remainder available to pay for costs of the construction project.

The Bonds carry interest rates ranging from 2.0% to 3.5%. The Bonds require semiannual interest only payments through June 1, 2018, and semiannual payments of interest and principal (with principal amounts varying from \$350,000 on December 1, 2019, to \$480,000 on December 1, 2036). The Notes carry an interest rate of 2.09% and require semiannual interest only payments with the balance due on December 1, 2021.

# Pine Crest Nursing Home

## Notes to Financial Statements

### Note 5: Long-Term Debt (Continued)

Long-term debt service requirements to maturity are as follows:

	Principal	Interest	Total
2020	\$ 360,000	\$ 272,850	\$ 632,850
2021	2,970,000	262,050	3,232,050
2022	315,000	185,950	500,950
2023	325,000	176,500	501,500
2024 - 2028	1,775,000	730,250	2,505,250
2029 - 2033	2,050,000	445,286	2,495,286
2034 - 2037	1,395,000	98,698	1,493,698
<b>Total</b>	<b>\$ 9,190,000</b>	<b>\$ 2,171,584</b>	<b>\$ 11,361,584</b>

### Note 6: Malpractice Insurance

The Facility's professional liability insurance is obtained through an endorsement to the County's liability insurance policy and covers losses of up to \$1,000,000 per claim and \$3,000,000 per year for claims incurred during a policy year regardless of when the claim was filed (claims-incurred coverage).

### Note 7: Self-Funded Health Insurance

The County maintains a self-funded health insurance plan. Substantially all of the Facility's employees and their enrolled dependents are included in this plan. The County's liability is limited through its arrangement with a commercial insurance carrier to indemnify it against losses in excess of prescribed specific and aggregate limits (stop-loss coverage).

The Facility shares proportionately, based on its relative number of enrolled participants, in the County's costs related to this plan and is charged by the County for its share of the required periodic contributions to the plan. Charges to operating expense for health insurance were \$1,768,839 and \$1,719,621 for 2019 and 2018, respectively.

### Note 8: Residents' Funds

Personal funds of the residents are held for safekeeping by the Facility. These cash funds totaled \$22,476 and \$27,712 at December 31, 2019 and 2018, respectively. Such funds have not been included on the statements of net position.

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### Note 9: Concentration of Credit Risk

Financial instruments that potentially subject the Facility to credit risk consist principally of cash balances in excess of insured limits and accounts receivable.

The Facility maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. Depository accounts at these institutions are insured up to \$250,000 by the FDIC and up to an additional \$400,000 by the public depositor guarantee program up to a total of \$650,000 for each financial institution. As of December 31, 2019, the Facility did not exceed the insured limits.

The Facility grants credit without collateral to its nursing home residents, most of whom are insured under third-party payor agreements with either the Wisconsin Medical Assistance or Medicare programs. Accounts receivable consist of amounts due from residents, their insurers, or governmental agencies (primarily Medicare and Medicaid) for healthcare provided to the residents. The majority of the Facility's residents are from Merrill, Wisconsin, and the surrounding area. The mix of receivables from residents and third-party payors is as follows at December 31:

	2019	2018
Medicare	26 %	28 %
Medicaid and Family Care	34 %	45 %
Residents and other	40 %	27 %
<b>Totals</b>	<b>100 %</b>	<b>100 %</b>

### Note 10: Employee Retirement Plans - Wisconsin Retirement System

**Plan Description** - The Wisconsin Retirement System (WRS) is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 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 issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

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

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### Note 10: Employee Retirement Plans - Wisconsin Retirement System (Continued)

**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.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2009	(2.1)%	(42)%
2010	(1.3)%	22.0 %
2011	(1.2)%	11.0 %
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 %

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### Note 10: Employee Retirement Plans - Wisconsin Retirement System (Continued)

**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 reporting period, the WRS recognized \$411,710 in contributions from the employer.

The Facility has employees in the general category which had the following contribution rates as of December 31, 2019 and 2018:

	2019		2018	
	Employee	Employer	Employee	Employer
General (including teachers)	6.55 %	6.55 %	6.70 %	6.70 %

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At December 31, 2019 and 2018, the Facility reported a liability of \$1,394,171 and an asset of \$1,170,356, respectively, for its proportionate share of the net pension liability and asset. The net pension liability and asset were measured as of the calendar year that falls within the Facility's fiscal year, and the total pension liability and asset 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. The Facility's proportion of the net pension liability and asset were based on the Facility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019 and 2018, the Facility's proportion was 0.03918757% and 0.03941763% (a decrease of 0.00023006% from the prior year), respectively.

For the years ended December 31, 2019 and 2018, the Facility recognized pension expense of \$964,783 and \$548,049, respectively.

# Pine Crest Nursing Home

## Notes to Financial Statements

### Note 10: Employee Retirement Plans - Wisconsin Retirement System (Continued)

At December 31, 2019 and 2018, the Facility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,085,848	\$ 1,919,389	\$ 1,486,966	\$ 695,554
Changes in assumptions	235,006	-	231,240	-
Net differences between projected and actual earnings on pension plan investments	2,036,091	-	-	1,608,545
Changes in proportion and differences between employer contributions and proportionate share of contributions	467	8,145	1,710	10,494
Employer contributions subsequent to the measurement date	410,397	-	411,710	-
<b>Totals</b>	<b>\$ 3,767,809</b>	<b>\$ 1,927,534</b>	<b>\$ 2,131,626</b>	<b>\$ 2,314,593</b>

Deferred outflows of resources related to pension resulting from the Facility's contributions subsequent to the measurement date, totaling \$410,397, 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:

2020	\$ 517,524
2021	128,388
2022	226,230
2023	557,736

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### Note 10: Employee Retirement Plans - Wisconsin Retirement System (Continued)

#### Actuarial Assumptions

The total pension liability in the actuarial valuation used for the years ended December 31, 2019 and 2018, was determined using the following actuarial assumptions, applied to all periods included in the investment:

	2019	2018
Actuarial valuation date	December 31, 2017	December 31, 2016
Measurement date of net pension liability (asset)	December 31, 2018	December 31, 2017
Actuarial cost method	Entry Age	Entry Age
Asset valuation method	Fair Market Value	Fair Market Value
Long-term expected rate of return	7.0%	7.2%
Discount rate	7.0%	7.2%
Salary increases:		
Inflation	3.2%	3.2%
Seniority/merit	0.1% - 5.6%	0.2% - 5.6%
	Wisconsin 2018 Mortality	Wisconsin 2012 Mortality
Mortality	Table	Table
Postretirement Adjustments*	1.9%	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2018 using experience from January 1, 2015 through December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from the prior year, including the discount rate, long-term expected rate of return, postretirement adjustment, wage inflation rate, mortality, and separation rates. The Total Pension Liability for December 31, 2018, is based upon a roll-forward of the liability calculated from the December 31, 2017, actuarial valuation.

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### Note 10: Employee Retirement Plans - Wisconsin Retirement System (Continued)

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

Asset Allocation Targets and Expected Returns	As of December 31, 2018		
	Asset Allocation	Destination Target Asset Allocation %	Long-Term Expected Real Rate of Return
Core fund:			
Global equities	49.0 %	8.1 %	5.5 %
Fixed income	24.5 %	4.0 %	1.5 %
Inflation sensitive assets	15.5 %	3.8 %	1.3 %
Real estate	9.0 %	6.5 %	3.9 %
Private equity/debt	8.0 %	9.4 %	6.7 %
Multi-asset	4.0 %	6.7 %	4.1 %
<b>Total core fund</b>	<b>110.0 %</b>	<b>7.3 %</b>	<b>4.7 %</b>
Variable fund:			
U.S. equities	70.0 %	7.6 %	5.0 %
International equities	30.0 %	8.5 %	5.9 %
<b>Total variable fund</b>	<b>100.0 %</b>	<b>8.0 %</b>	<b>5.4 %</b>

# Pine Crest Nursing Home

## Notes to Financial Statements

### Note 10: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Asset Allocation Targets and Expected Returns	As of December 31, 2017		
	Asset Allocation	Destination Target Asset Allocation %	Long-Term Expected Real Rate of Return
Core fund:			
Global equities	50.0 %	8.2 %	5.3 %
Fixed income	25.0 %	4.2 %	1.4 %
Inflation sensitive assets	16.0 %	3.8 %	1.0 %
Real estate	8.0 %	6.5 %	3.6 %
Private equity/debt	8.0 %	9.4 %	6.5 %
Multi-asset	4.0 %	6.5 %	3.6 %
Total core fund	111.0 %	7.3 %	4.4 %
Variable fund:			
U.S. equities	70.0 %	7.5 %	4.6 %
International equities	30.0 %	7.8 %	4.9 %
Total variable fund	100 %	7.9 %	5.0 %

New England Pension Consultants Long-Term US CPI Forecast: 2.5%

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

Single Discount Rate: A single discount rate of 7.00% was used to measure the Total Pension Liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### Note 10: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Sensitivity of the Agency's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate:

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

	2019		2018	
	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)
1% decrease to rate	6.0 %	\$ 5,540,581	6.2 %	\$ 3,028,111
Current discount rate	7.0 %	1,394,171	7.2 %	1,170,356
1% increase to rate	8.0 %	(1,689,006)	8.3 %	(4,361,321)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in a separately issued financial statements available online at <http://etf.wi.gov/publications/cafr.htm>.

**Payables to the Pension Plan** - At December 31, 2019 and 2018, the Facility reported a payable of \$21,062 and \$18,238, respectively, for the outstanding amount of contributions to the pension plan.

### Note 11: Other Postemployment Benefits - Local Retiree Life Insurance Fund

#### Plan Description

The Local Retiree Life Insurance Fund (LRLIF) is a cost-sharing 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 postemployment 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>.

#### 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.

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### Note 11: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

#### 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, 2019 and 2018, are as follows:

<u>Coverage Type</u>	<u>Employer Contribution</u>
25% postretirement coverage	20% Postretirement coverage

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, 2018, are as listed below:

<u>Attained Age</u>	<u>Basis</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.

For the years ended December 31, 2019 and 2018, the Facility recognized \$3,775 and \$3,970 in contributions from the employer.

# Pine Crest Nursing Home

## Notes to Financial Statements

### Note 11: 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, 2019 and 2018, the Facility reported a liability of \$526,478 and \$609,984, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 and 2016, rolled forward to December 31, 2018 and 2017, respectively. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Facility's proportion of the net OPEB liability was based on the the Facility's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the Facility's proportion was 0.20403442%, which was an increase of 0.00128636% from its proportion measured as of December 31, 2017. At December 31, 2017, Pine Crest's proportion was 0.20274806%, which was an increase of 0.01279870% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2019 and 2018, the Facility recognized OPEB expense of \$64,358 and \$64,462, respectively.

At December 31, 2019, the Facility reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 26,707	\$ -	\$ 8,593
Net differences between projected and actual earnings on OPEB plan investments	50,234	-	33,969	-
Changes in assumptions	47,231	114,120	58,944	-
Employer contributions subsequent to the measurement date	3,777	-	3,970	-
<b>Totals</b>	<b>\$ 101,242</b>	<b>\$ 140,827</b>	<b>\$ 96,883</b>	<b>\$ 8,593</b>

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### Note 11: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

Deferred outflows of \$3,777 and \$3,970 related to OPEB resulting from the Facility's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year Ended December 31</i>	Net Deferred Outflows (Inflows) of Resources
2020	\$ (4,319)
2021	(4,319)
2022	(4,319)
2023	(6,086)
Thereafter	(24,319)

### Actuarial Assumptions

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

	2019	2018
Actuarial valuation date	January 1, 2018	January 1, 2017
Measurement date of net OPEB liability (asset)	December 31, 2018	December 31, 2017
Actuarial cost method	Entry age normal	Entry age normal
20 year tax-exempt municipal bond yield	4.10 %	344
Long-term expected rate of return	5.00 %	5.00 %
Discount rate	4.22 %	3.63 %
Salary increases		
Inflation	3.00 %	2.30 %
Seniority/merit	.1 - 5.6%	3.20 %
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2012 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total OPEB Liability changed from prior year, including the discount rate, wage inflation rate, mortality and separation rates. The Total OPEB Liability for December 31, 2018, is based upon a roll-forward of the liability calculated from the December 31, 2017, actuarial valuation.

# Pine Crest Nursing Home

## Notes to Financial Statements

### Note 11: Other Postemployment Benefits - Local Retiree Life Insurance Fund (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.

#### Local OPEB Life Insurance Asset Allocation Targets and Expected Returns December 31, 2018

<i>Asset Class</i>	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. government bonds	Barclays Government	1.00 %	1.44 %
U.S. credit bonds	Barclays Credit	40.00 %	2.69 %
U.S. long credit bonds	Barclays Long Credit	4.00 %	3.01 %
U.S. mortgages	Barclays MBS	54.00 %	2.25 %
U.S. municipal bonds	Bloomberg Barclays Muni	1.00 %	1.68 %
Inflation			2.30
Long-term expected rate of return			5.00 %

#### As of December 31, 2017

<i>Asset Class</i>	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. government bonds	Barclays Government	1.00 %	1.13 %
U.S. credit bonds	Barclays Credit	65.00 %	2.61 %
U.S. long credit bonds	Barclays Long Credit	3.00 %	3.08 %
U.S. mortgages	Barclays MBS	31.00 %	2.19 %
Inflation			2.30 %
Long-term expected rate of return			5.00 %

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### Note 11: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

#### Actuarial Assumptions (Continued)

Single Discount Rate: A single discount rate of 4.22% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 3.63% for the prior year. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. 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 payment 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.

Sensitivity of Facility's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents the Facility's proportionate share of the net pension liability (asset) calculated using the current discount rate, as well as what the Facility'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 or 1-percentage-point higher than the current rate:

	2019		2018	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% decrease to the rate	3.22	\$ 748,949	2.63 %	\$ 862,139
Current discount rate	4.22 %	526,478	3.63 %	609,984
1% increase to rate	5.22	\$ 354,891	4.63 %	\$ 416,481

#### 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 12: Subsequent Event

Effective January 1, 2020, Lincoln County entered into a management agreement with North Central Health Care, a component unit of Marathon County. North Central Health Care is a statutory-mandated entity pursuant to Wisconsin Statutes 51.42/.437 and was established under a contract between Langlade, Lincoln, and Marathon Counties as a quasi-political subdivision.

Under terms of the management agreement, North Central Health Care assumed operational and management responsibility for the Facility and the majority of the Facility's employees became employees of North Central Health Care. As part of this transition, the Facility's employees over the age of 55 received payment for their accrued sick leave balance.

# Pine Crest Nursing Home

## Notes to Financial Statements

---

### **Note 12: Subsequent Event** (Continued)

In addition, subsequent to year-end, in March 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. As a result of the pandemic, there are evolving federal and state regulatory requirements and laws that affect the Facility's operations. The Facility is incorporating processes to comply with the evolving regulatory requirements and laws. At this time it is unclear what the prolonged economic impact of COVID-19 will have on the Facility's operations.

### **Note 13: Reclassifications**

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 classifications.

## **Required Supplementary Information**

**Pine Crest Nursing Home**  
**Schedules of the Employer's Proportionate Share of the Net Pension Liability**  
**(Asset) and Employer Contributions - Wisconsin Retirement System**  
Last Ten Fiscal Years (When Available)

	2019	2018	2017	2016	2015
Measurement date	<b>12/31/2018</b>	<b>12/31/2017</b>	<b>12/31/2016</b>	<b>12/31/2015</b>	<b>12/31/2014</b>
Pine Crest Nursing Home's proportion of the net pension liability (asset)	0.0392%	0.0394%	0.0395%	0.0393%	0.0398%
Pine Crest Nursing Home's proportionate share of the net pension liability (asset)	\$ 1,394,171	\$ (1,170,356)	\$ 325,761	\$ 638,060	\$ (977,327)
Pine Crest Nursing Home's coveredemployee payroll during the measurement period	\$ 6,144,929	\$ 5,788,147	\$ 5,660,731	\$ 5,592,338	\$ 5,444,180
Pine Crest Nursing Home's proportionate share of the net pension liability (asset) as a percentage of its coveredemployee payroll	22.69%	-20.22%	5.75%	11.41%	-17.95%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.45%	102.93%	99.12%	98.20%	102.74%
<b>Schedule of Employer Contributions</b>					
For the Fiscal Year					
Contractually required contribution for the fiscal year	\$ 410,397	\$ 411,710	\$ 390,228	\$ 372,902	\$ 391,464
Contributions in relation to the contractually required contribution	410,397	411,710	390,228	372,902	391,464
Contribution deficiency	\$ .	\$ -	\$ -	\$ -	\$ -
Pine Crest Nursing Home's covered employee payroll	\$ 6,469,629	\$ 6,144,929	\$ 5,788,147	\$ 5,660,731	\$ 5,592,338
Contributions as a percentage of coveredemployee payroll	6.34%	6.70%	6.74%	6.59%	7.00%

Notes to the Schedules

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

*Changes of assumptions.* Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015-2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, longterm expected rate of return, post retirement adjustment, wage inflation rate, mortality, and separation rates.

See Independent Auditor's Report.

**Pine Crest Nursing Home**  
**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)

	2019	2018
Measurement date	<b>12/31/2018</b>	<b>12/31/2017</b>
Facility's proportion of the net OPEB liability (asset)	0.20403442%	0.20274806%
Facility's proportionate share of the net OPEB liability (asset)	\$ 526,478	\$ 609,984
Facility's covered payroll	\$ 6,154,332	\$ 5,747,306
Facility's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	8.55%	10.61%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	48.69%	44.81%

**Schedule of Employer Contributions**

Contractually required contribution for the fiscal year	\$ 3,775	\$ 3,970
Contributions in relation to the contractually required contribution	(3,775)	(3,970)
Contribution deficiency (excess)	\$ -	\$ -
Facility's covered payroll for the fiscal period	\$ 6,469,629	\$ 6,154,332
Contributions as a percentage of covered payroll	0.06%	0.06%

**Notes to the Schedules**

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

*Changes of assumptions.* Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015-2017.

Based on the experience study conducted in 2018, actuarial assumptions used to develop Total OPEB Liability changed, including the discount rate, wage inflation rate, and mortality and separation rates.

See Independent Auditor's Report.