

May 10, 2023

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

Dear Board Members:

We have audited the financial statements of North Central Community Services Program d/b/a North Central Health Care (NCHC) for the year ended December 31, 2022, and have issued our report thereon dated May 10, 2023. Professional standards require that we provide you with the following information related to our audit:

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards**

As stated in our engagement letter dated December 12, 2022, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we also performed tests of NCHC's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope, timing, and with respect to significant risks identified by us, all of which were previously communicated to your representatives, Kurt Gibbs, in our email communication on January 5, 2023, in addition to our engagement letter dated December 12, 2022, accepted by Gary Olsen.

**Significant Audit Matters**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by NCHC are described in Note 1 to the financial statements. In 2022, NCHC adopted GASB 87 as described in Note 1. Other than GASB 87, the application of existing policies was not changed during the year.

We noted no transactions entered into by NCHC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- The adequacies of the accounts receivable contractual adjustments and allowance for doubtful accounts are subjective estimates affecting the financial statements. The accounts receivable contractual adjustments and allowance for doubtful accounts are maintained at levels that management believes are adequate to provide for possible write-offs. Management regularly evaluates the adequacy of the accounts receivable contractual adjustments and allowance for doubtful accounts using NCHC's past bad debt experience, known and inherent risks in accounts receivable, current economic conditions, and other relevant factors. We evaluated the key factors and assumptions used to develop the accounts receivable contractual adjustments and allowance for doubtful accounts in determining that the estimates are reasonable in relation to the financial statements taken as a whole.
- The estimated final settlements on the Medicare and Medicaid cost reports are based on audits conducted by the fiscal intermediaries. Management periodically evaluates the adequacy of the balance using NCHC's experience, known and inherent risks in the preparation of these cost reports, and risks associated with doing business in the healthcare industry. We reviewed the estimated settlements recorded for each open year to determine the reasonableness of the estimates based on the results of previous audits by the fiscal intermediary, known and inherent risks in the preparation of these cost reports, and risks associated with doing business in the healthcare industry.
- The allocation of allowable direct and indirect costs used for grant reporting and for allocating the net position among the three participating counties is also subjective. Management periodically reviews the reasonableness of the allocation of costs using NCHC's past experience, known and inherent risks in expenditures, known expenditures, and other relevant factors. We evaluated the key factors and assumptions used in the allocation of the allowable direct and indirect costs for grant reporting and for allocating the net position among the three participating counties in determining that the methodologies are reasonable in relation to the financial statements and the Schedules of Expenditures of Federal and State Awards for the year ended December 31, 2022.
- The net pension and OPEB liability (asset) and the related deferred outflows and deferred inflows are dependent upon actuarial assumptions used by the Wisconsin Department of Employee Trust Funds (ETF) to determine the collective pension and OPEB assets and liabilities of the Wisconsin Retirement System and the allocations provided by ETF to the individual employers. We verified and recalculated amounts specific to NCHC, including the employer amount used in the allocation percentage, the allocation percentage for the employer, and the pension amounts allocated to the employer based on the allocation percentage.

- The adequacy of the reserves for self-funded health and dental insurance claims are also subjective. The reserves for health and dental insurance claims are maintained at levels which management believes are adequate to cover claims incurred during the year but not paid until after December 31, 2022. Management periodically evaluates the reserves using NCHC's past experience, known claims, and other relevant factors. We evaluated the key factors and assumptions used to develop the reserves for health and dental insurance claims in determining that they are reasonable in relation to the financial statements.
- The adequacy of the liability for the employee health reimbursement accounts is also subjective. The liability is estimated at a level which management believes is appropriate to cover claims to be paid to employees upon their retirement after December 31, 2022, associated with amounts earned by employees prior to December 31, 2022. Management periodically evaluates the reserves using NCHC's past experience, known claims, and other relevant factors. We evaluated the key factors and assumptions used to develop the estimated health reimbursement account liability in determining they are reasonable in relation to the financial statements.
- NCHC is required to evaluate lease agreements to determine if the agreement needs to be recorded as a right-of-use asset. Key factors in making this determination include the useful life of the leased equipment, the incremental borrowing rate, and the fair value of the equipment at the inception of the lease.
- The timing, amount, and allocation of recognition for revenue related to grant funded awards is based upon management's interpretation of the relevant guidance issued by granting agency.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 1 – New accounting pronouncement adopted in 2022 related to leases
- Note 7 – Information related to the master facility plan currently being constructed.
- Note 8 – Information related to right-of-use lease agreements

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The below schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Effect if entry is not made - Overstated (Understated)						
Description	Assets	Liabilities & Deferred Inflows	Beginning Net Position	Income Before Contributed Capital	Ending Net Position	
Overstatement of self-funded accrual	\$ -	\$ 526,000	\$ -	\$ (526,000)	\$ (526,000)	
Understatement of accounts receivable - MVCC Medicaid	(170,700)	-	-	(170,700)	(170,700)	
Understatement of right-of-use lease obligations	(37,500)	(40,000)	2,200	300	2,500	
Prior year unadjusted differences	-	-	(357,800)	357,800	-	
<b>Total unadjusted differences - December 31, 2022</b>	<b>\$ (208,200)</b>	<b>\$ 486,000</b>	<b>\$ (355,600)</b>	<b>\$ (338,600)</b>	<b>\$ (694,200)</b>	

There were no audit adjustments recorded during the audit process which affected net position.

### Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 10, 2023, a copy of which is available upon request.

### Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to NCHC's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as NCHC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not, in our judgment, a condition of our retention.

### **Other Matters**

#### ***Required Supplementary Information Accompanying Audited Financial Statements***

We applied certain limited procedures to the management's discussion and analysis, the schedules of employer's proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System, and the schedules of employer's proportionate share of the net OPEB liability (asset) and employer contributions – Local Retiree Life Insurance Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

#### ***Supplementary Information Accompanying Audited Financial Statements***

With respect to the supplementary information, consisting of combining financial statements, accompanying the combined financial statements and the schedule of net position excluding capital assets and GASB 68/75 impact, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

#### ***Other Information in Documents Containing Audited Financial Statements***

The auditor's responsibility for other information in documents containing audited financial statements does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document. Our responsibility is to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements.

We prepared NCHC's Form SF-SAC – Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations for 2021, which is submitted electronically, along with our audited financial statements, to the Federal Audit Clearinghouse. The Form SF-SAC for 2022 is not yet due.

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We appreciate the opportunity to be of service to North Central Health Care.

This communication is intended solely for the information and use of North Central Health Care's management and Board of Directors, and includes a description of the scope of our testing of internal control over financial reporting and the results of that testing. The communication related to considering NCHC's internal control over financial reporting is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NCHC's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

Enc.