

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
MENOMONIE, WISCONSIN**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2010 AND 2009**

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**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
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## INDEPENDENT AUDITORS' REPORT

County Board of Supervisors  
Dunn County  
Menomonie, Wisconsin

We have audited the accompanying financial statements of Dunn County Health Care Center, an enterprise fund of Dunn County, Wisconsin (the Center), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Center's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Dunn County Health Care Center, an enterprise fund of Dunn County, Wisconsin, and do not purport to, and do not, present fairly the financial position of Dunn County, Wisconsin, as of December 31, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dunn County Health Care Center as of December 31, 2010 and 2009, and the respective changes in the financial position and cash flows, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Dunn County Health Care Center, an enterprise fund of Dunn County, Wisconsin, has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be a part of, the basic financial statements.

(1)



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County Board of Supervisors  
Dunn County

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Center's financial statements. The schedules presented as other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

*Larson Allen LLP*  
**LarsonAllen LLP**

Eau Claire, Wisconsin  
March 9, 2011

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
STATEMENTS OF NET ASSETS  
DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>ASSETS</b>		
<b>Current Assets:</b>		
Taxes Receivable	\$ 750,000	\$ 750,000
Accounts Receivable, Net of Allowance for Doubtful Accounts	1,114,842	883,650
Inventory	40,396	41,618
Prepaid Expenses	4,272	27,442
Restricted Cash	8,235	6,060
Total Current Assets	1,917,745	1,708,770
<b>Noncurrent Assets:</b>		
Capital Assets Not Being Depreciated:		
Land	50,246	50,246
Construction Work in Progress	50,000	-
Capital Assets Being Depreciated:		
Other Capital Assets	7,365,146	7,361,356
Less: Accumulated Depreciation	(6,626,544)	(6,460,864)
Total Noncurrent Assets	838,848	950,738
Total Assets	2,756,593	2,659,508
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	177,648	183,637
Accrued Liabilities	343,862	302,650
Due to Dunn County	646,997	324,125
Deferred Revenue	1,069,600	750,000
Vested Benefits	407,451	450,624
Patients Trust Fund Payable	8,235	6,060
Total Current Liabilities	2,653,793	2,017,096
<b>Noncurrent Liabilities:</b>		
Advance from Dunn County	32,500	32,500
Vested Benefits	307,375	339,945
Other Post-Employment Benefits	89,250	61,543
Total Noncurrent Liabilities	429,125	433,988
Total Liabilities	3,082,918	2,451,084
<b>NET ASSETS</b>		
Invested in Capital Assets	838,848	950,738
Unrestricted	(1,165,173)	(742,314)
Total Net Assets (Deficit)	\$ (326,325)	\$ 208,424

See accompanying Notes to Basic Financial Statements.

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>OPERATING REVENUES</b>		
Resident Services	\$ 9,396,198	\$ 8,881,993
Other	53,981	125,015
Total Operating Revenues	9,450,179	9,007,008
<b>OPERATING EXPENSES</b>		
Nursing Services	4,931,753	4,720,264
Laboratory and Radiology	39,234	44,130
Pharmacy	209,730	190,548
Physician	126,434	126,908
Social Services	128,770	148,539
Activities	141,378	161,288
Dietary	871,144	925,221
Plant Operations and Maintenance	482,511	436,639
Housekeeping	264,745	262,890
Laundry and Linen	126,753	176,989
Medical Records	41,617	40,388
Purchasing	32,706	31,472
Administrative	765,910	634,909
Depreciation	181,352	179,872
Employee Benefits	3,165,915	2,998,094
Total Operating Expenses	11,509,952	11,078,151
<b>LOSS FROM OPERATIONS</b>	(2,059,773)	(2,071,143)
<b>NONOPERATING REVENUES</b>		
Tax Levy Funds	750,000	748,482
Rental Income	20,384	21,539
Grant Funding	51,326	-
Intergovernmental Transfer Program Funds	703,314	974,099
Total Nonoperating Revenues	1,525,024	1,744,120
<b>NET LOSS BEFORE TRANSFERS</b>	(534,749)	(327,023)
Transfer In	-	30,000
<b>NET LOSS</b>	(534,749)	(297,023)
Net Assets - Beginning of Year	208,424	505,447
<b>NET ASSETS - END OF YEAR</b>	\$ (326,325)	\$ 208,424

See accompanying Notes to Basic Financial Statements.

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Residents and Third-Party Payers	\$ 10,262,285	\$ 11,066,808
Paid to Suppliers for Goods and Services	(2,567,251)	(2,489,364)
Paid to Employees for Services	(8,746,540)	(8,455,661)
Net Cash Used by Operating Activities	(1,051,506)	121,783
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Tax Levy Funds	750,000	748,482
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Grant Funding	51,326	-
Acquisition of Capital Assets	(70,517)	(170,344)
Advance from Dunn County	-	32,500
Transfers In	-	30,000
Net Cash Used by Capital and Related Financing Activities	(19,191)	(107,844)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(320,697)	762,421
Cash and Cash Equivalents - Beginning of Year	(318,065)	(1,080,486)
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ (638,762)	\$ (318,065)
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (2,059,773)	\$ (2,071,143)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Rental Income Received	20,384	21,539
Intergovernmental Transfer Program Funds Received	703,314	974,099
Noncash Items included in Income:		
Depreciation	181,352	179,872
Loss on disposal of capital assets	1,055	1,416
Change in Assets and Liabilities:		
Accounts Receivable	(231,192)	1,064,161
Inventory	1,222	4,258
Prepaid Expenses	23,170	(541)
Accounts Payable	(5,989)	(28,724)
Accrued Liabilities	41,212	(58,492)
Deferred Revenue	319,600	-
Patient Trust Payable	2,175	(1,388)
Vested Benefits	(75,743)	6,533
Other Post-Employment Benefits	27,707	30,193
Net Cash Used by Operating Activities	\$ (1,051,506)	\$ 121,783
<b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>	None	None
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS</b>		
Restricted Cash	\$ 8,235	\$ 6,060
Due to Dunn County	(646,997)	(324,125)
Total	\$ (638,762)	\$ (318,065)

See accompanying Notes to Basic Financial Statements.

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The accounting policies of the Dunn County Health Care Center (the Center) conform to generally accepted accounting principles as applicable to enterprise funds of governmental units.

**Reporting Entity**

This report contains the financial information of the Center, which is a separate enterprise fund of Dunn County. The Center operates a 137-bed nursing home which provides skilled nursing care to the aged and disabled. The Center is directed by the Health Care Center Committee which is appointed by the County Board President.

Component units are legally separate entities for which the Dunn County Health Care Center (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the Primary Government misleading. The criteria used to determine if the Primary Government is financially accountable for a component unit include whether or not the Primary Government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the Dunn County Health Care Center.

**Measurement Focus and Basis of Accounting**

The accrual basis of accounting is used by the Center. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Net assets are segregated into "invested in capital assets" and "unrestricted" components.

The enterprise fund follows all pronouncements of the Governmental Accounting Standards Board, and has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Center are charges to residents for care. Operating expenses for enterprise funds include the cost of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

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

**Measurement Focus and Basis of Accounting (Continued)**

The financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

When both restricted and unrestricted resources are available for use, it is the Center's policy to use restricted resources first, then unrestricted resources as they are needed.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Center considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents. Investment of the Center's funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities issued or guaranteed by the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
4. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
5. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
6. Bonds or securities issued under the authority of the municipality.
7. The local government investment pool.
8. Repurchase agreements with public depositories, with certain conditions.

Deposits and investments for the Center are covered under Dunn County's investment policy. Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments are necessary to record investments at fair value and are recorded in the operating statement as increases or decreases in investment income.

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

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

**Accounts Receivable**

Accounts receivable have been shown net of an allowance for uncollectible accounts. The provision for uncollectible patient accounts was \$23,124 and \$28,197 at December 31, 2010 and 2009, respectively. All accounts receivable are uncollateralized.

**Inventories**

Inventory is stated at the lower of cost (first-in, first-out method) or market.

**Restricted Assets**

Mandatory segregation of assets is presented as restricted assets. Such segregation may be required by external parties. Funds held in a custodian capacity are maintained in separate bank accounts.

**Capital Assets**

Capital assets are generally defined by the Center as assets with an initial, individual cost of more than \$1,000 and an estimated useful life which extends substantially beyond the year of acquisition. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation. The Center has no infrastructure assets.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of revenues, expenses, and changes in net assets, with accumulated depreciation reflected in statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Estimated Useful Lives</u>
Building and Improvements	10 - 30 Years
Furniture and Equipment	3 - 10 Years
Transportation Equipment	5 Years

**Vested Benefits**

Under terms of employment, employees are granted sick leave and vacation in varying amounts. Only benefits considered to be vested are disclosed in these statements. All vested vacation and estimated vested sick leave pay is accrued when incurred in the financial statements. Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at year end are determined on the basis of current salary rates and include salary related payments.

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

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

**Equity Classifications**

Equity is classified as net assets and displayed in two components:

**Invested in Capital Assets** – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Unrestricted Net Assets** – All other net assets are available for use, it is the Center's policy to use restricted resources first, then unrestricted resources as they are needed.

**Third-Party Reimbursement Contracts**

The Center's reimbursement under the Medicare program is based on prospective payment system, (PPS). These rates may vary according to a resident classification system (RUGS III) that is based on a minimum data set (MDS) of diagnostic and other information.

The Center participates in the Medical Assistance Program whereby reimbursement is based on a predetermined rate formula under a contractual arrangement with the Medical Assistance Program under Title XIX of the Social Security Act. Rate adjustments under this program are reflected in income when determinable.

**Reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**NOTE 2 CASH AND CASH EQUIVALENTS**

The Center's balances at individual financial institutions were subject to coverage under federal depository insurance and amounts appropriated by Sections 20.144(1)(a) and 34.08 of the Wisconsin Statutes (State Guarantee Fund). Federal depository insurance provides for coverage of up to \$250,000 for time and savings deposits and unlimited coverage for all non-interest bearing transaction accounts (including all demand accounts earning less than 0.5% interest as long as the depository institution has not opted out of the FDIC's Temporary Liquidity Guarantee Program).

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)**

Coverage under the State Guarantee Fund may not exceed \$400,000 above the amount of coverage under federal depository insurance at any institution and is limited by the availability of the appropriations authorized therein. (Due to the relatively small size of the State Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.) Also, Section 34.07 of the Wisconsin Statutes authorizes the Center to collateralize its deposits that exceed the amount of coverage provided by federal depository insurance and the State Guarantee Fund.

The Dunn County Health Care Center holds deposits and investments which are pooled with other accounts held at financial institutions maintained by Dunn County. The custodial credit risk pertaining specifically to the Health Care Center's resources cannot be determined. Please refer to the County's basic financial statements for information on overall deposit and investment risks.

The carrying amount of the Center's deposits at December 31, 2010 and 2009 were (\$646,997) and (\$324,125), respectively. The deficit balances at year-end are classified as Due to Dunn County on the statement of net assets.

**NOTE 3 CAPITAL ASSETS**

Changes in capital assets during 2010 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 50,246	\$ -	\$ -	\$ 50,246
Construction Work in Progress	-	50,000	-	50,000
Total Capital Assets Not Being Depreciated	50,246	50,000	-	100,246
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	352,663	-	-	352,663
Buildings	4,732,540	-	-	4,732,540
Fixed Equipment	1,004,422	-	3,762	1,000,660
Major Moveable Equipment	1,271,731	20,517	12,965	1,279,283
Total Capital Assets Being Depreciated	7,361,356	20,517	16,727	7,365,146
<b>Less: Accumulated Depreciation:</b>				
Land Improvements	265,736	12,884	-	278,620
Buildings	4,296,374	101,422	-	4,397,796
Fixed Equipment	883,961	17,381	2,707	898,635
Major Moveable Equipment	1,014,793	49,665	12,965	1,051,493
Total Accumulated Depreciation	6,460,864	181,352	15,672	6,626,544
<b>Net Capital Assets</b>	<b>\$ 950,738</b>	<b>\$ (110,835)</b>	<b>\$ 1,055</b>	<b>\$ 838,848</b>

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

Changes in capital assets during 2009 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 50,246	\$ -	\$ -	\$ 50,246
Capital Assets Being Depreciated:				
Land Improvements	352,663	-	-	352,663
Buildings	4,732,540	-	-	4,732,540
Fixed Equipment	1,005,310	18,292	19,180	1,004,422
Major Moveable Equipment	1,210,876	152,052	91,197	1,271,731
Minor Equipment	18,805	-	18,805	-
Total Capital Assets Being Depreciated	7,320,194	170,344	129,182	7,361,356
Less: Accumulated Depreciation:				
Land Improvements	252,854	12,882	-	265,736
Buildings	4,190,001	106,373	-	4,296,374
Fixed Equipment	884,743	18,398	19,180	883,961
Major Moveable Equipment	1,068,235	42,219	95,661	1,014,793
Minor Equipment	12,925	-	12,925	-
Total Accumulated Depreciation	6,408,758	179,872	127,766	6,460,864
Net Capital Assets	<u>\$ 961,682</u>	<u>\$ (9,528)</u>	<u>\$ 1,416</u>	<u>\$ 950,738</u>

**NOTE 4 VESTED BENEFITS**

As of December 31, 2010 and 2009, vested vacation pay benefits payable were \$282,140 and \$309,115, respectively, and vested sick leave payable were \$432,686 and \$481,454, respectively. The changes in vested benefits during 2010 and 2009 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
2010	\$ 790,569	\$ 299,498	\$ 375,241	\$ 714,826	\$ 407,451
2009	784,036	417,541	411,008	790,569	450,624

**NOTE 5 RESTRICTED ASSETS**

The Center is the custodian for funds held on behalf of its patients. These funds presented as restricted cash and offsetting patients trust fund payable and totaled \$8,235 and \$6,060 on December 31, 2010 and 2009, respectively.

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 6 AMOUNTS FROM THIRD-PARTY PAYORS**

The Center is participating in the Intergovernmental Transfer Program (ITP) which is a state program that reimburses nursing homes for a portion of their losses from operations. During 2010, the Center recognized \$703,314 of ITP revenue. This entire amount was received in 2010. In 2009, the Center recognized \$974,099 of ITP revenue. This entire amount was received in 2009.

**NOTE 7 EMPLOYEES' RETIREMENT SYSTEM**

All eligible Dunn County employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). The payroll for the County employees covered by the System and the County's total payroll for the years ended December 31, 2010 and 2009 was as follows:

	<u>Dunn County Health Care Center</u>	<u>All Other Funds</u>	<u>Total All Funds</u>
<u>2010</u>			
Payroll for County Employees Covered By the System	\$ 5,416,647	\$ 15,006,961	\$ 20,423,608
Total County Payroll	\$ 5,505,337	\$ 15,383,674	\$ 20,889,011
<u>2009</u>			
Payroll for County Employees Covered By the System	\$ 5,265,601	\$ 14,724,055	\$ 19,989,656
Total County Payroll	\$ 5,343,464	\$ 15,197,976	\$ 20,541,440

The following information is for Dunn County as a whole, including Dunn County Health Care Center, an enterprise fund of the County.

All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees up to 6.2%. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 7 EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

The payroll for all Dunn County employees covered by the system for the year ended December 31, 2010 was \$20,423,608; the employer's total payroll was \$20,889,011. The total required contribution for the year ended December 31, 2010 was \$2,246,597 or 11.0 percent of covered payroll. Total contributions for the years ending December 31, 2009 and 2008 were \$2,078,924 and \$2,174,656, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings are the average of the employee's three highest year's earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. 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 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

**NOTE 8 RISK MANAGEMENT**

The Center is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The County carries commercial insurance to provide coverage for losses from theft of, damage to, or destruction of assets. It participates in a public entity risk pool called WCMIC to provide coverage for losses from torts and errors and omissions. However, other risks, such as workers compensation and health care of its employees are accounted for and financed by the County in an internal service fund. See the County's basic financial statements for additional information on the County's risk management. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage in any of the previous three years.

The Center's professional liability insurance covers losses of up to \$3,000,000 per claim and \$3,000,000 per year of claims incurred during a policy year regardless of when the claim was filed ("claims-incurred" coverage). The professional liability insurance policy is renewable annually and has been renewed by the insurance carrier for the annual period extending to December 31, 2011.

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 8 RISK MANAGEMENT (CONTINUED)**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed.

**NOTE 9 OTHER POST-EMPLOYMENT BENEFITS**

During fiscal year 2008, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The County engaged an actuary to determine the County's liability for postemployment healthcare benefits other than pensions as of January 1, 2010.

**A. Plan Description**

All employees who retire through the Wisconsin Retirement System are eligible to participate in the retiree medical plan if they pay 100% of the retiree premium. As of January 1, 2010 there were approximately 363 active participants and 9 retired participants receiving benefits from the County's health plans. Of those, the Center accounted for 108 active participants and 5 retirees.

**B. Funding Policy**

The County funds its OPEB obligation on a pay as you go basis. For fiscal year 2010, the County contributed an estimated \$63,814 to the plan.

**C. Annual OPEB Cost and Net OPEB Obligation**

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the County's net OPEB obligation. The Center's portion of the total liability was \$89,250 and 61,543 on December 2010 and 2009, respectively.

Annual Required Contribution	\$ 185,862
Interest on Net OPEB Obligation	10,487
Adjustment to Annual Required Contribution	<u>(10,419)</u>
Annual OPEB Cost (Expense)	185,930
Contributions Made	<u>(63,814)</u>
Increase in Net OPEB Obligation	122,116
Net OPEB Obligation- Beginning of Year	262,171
Net OPEB Obligation- End of Year	<u>\$ 384,287</u>

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

The County's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	\$ 185,862	\$ 63,814	34.3%	\$ 384,287
12/31/2009	185,007	52,717	28.5	262,171
12/31/2008	177,807	47,925	27.0	129,882

**D. Funded Status and Funding Progress**

As of January 1, 2010, the most recent actuarial valuation date, the County's unfunded actuarial accrued liability (UAAL) was \$1,779,836.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% interest discount rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 9.5%, reduced by decrements to an ultimate rate of 4.5% by the year 2019. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2010 was 27 years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
OTHER POST-EMPLOYMENT BENEFIT PLAN  
SCHEDULE OF FUNDING PROGRESS  
YEAR ENDED DECEMBER 31, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2010	\$ -	\$ 1,779,836	\$ 1,779,836	0%	\$ 20,889,011	8.5%
1/1/2009	-	1,851,724	1,851,724	0	20,541,441	9.0
1/1/2008	-	1,722,346	1,722,346	0	20,515,626	8.4

The above information is for Dunn County as a whole, including Dunn County Health Care Center, an enterprise fund of the County.

**SUPPLEMENTARY INFORMATION**

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
SUPPLEMENTARY SCHEDULES OF REVENUES AND EXPENSES  
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Resident Services	\$ 9,396,198	\$ 8,881,993
Other Revenue:		
Cafeteria	12,304	11,059
Other Operating Revenue	8,611	76,042
Operating Rental Revenue	27,306	27,076
OBRA Level I Screens	5,760	6,981
Donations	-	3,857
Total Other Revenue	<u>53,981</u>	<u>125,015</u>
Total Operating Revenues	9,450,179	9,007,008
<b>OPERATING EXPENSES</b>		
Nursing Services:		
Salaries and Wages	3,991,628	3,834,621
Purchased Services	747,910	733,992
Supplies and Expenses	192,215	151,651
Total	<u>4,931,753</u>	<u>4,720,264</u>
Laboratory and Radiology:		
Supplies and Expense	39,234	44,130
Pharmacy:		
Drugs and Medicines	209,182	190,548
Purchased Services	548	-
Total	<u>209,730</u>	<u>190,548</u>
Physician:		
Purchased Services	126,316	126,471
Supplies and Expense	118	437
Total	<u>126,434</u>	<u>126,908</u>
Social Services:		
Salaries and Wages	127,123	144,958
Supplies and Expense	1,647	3,581
Total	<u>128,770</u>	<u>148,539</u>

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
SUPPLEMENTARY SCHEDULES OF REVENUES AND EXPENSES (CONTINUED)  
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Patent Activities:		
Salaries and Wages	\$ 132,738	\$ 153,648
Supplies and Expense	8,640	7,640
Total	<u>141,378</u>	<u>161,288</u>
Dietary		
Salaries and wages	578,165	571,937
Purchased services	428	44,533
Supplies and expense	292,551	308,751
Total	<u>871,144</u>	<u>925,221</u>
Plant Operations and Maintenance:		
Salaries and Wages	141,659	116,851
Purchased Services	11,462	9,408
Supplies and Expense	53,280	55,981
Utilities	276,110	254,399
Total	<u>482,511</u>	<u>436,639</u>
Housekeeping:		
Salaries and Wages	233,702	230,262
Purchased Services	10	10
Supplies and Expense	31,033	32,618
Total	<u>264,745</u>	<u>262,890</u>
Laundry and Linen:		
Salaries and Wages	30,825	60,824
Purchased Services	76,672	101,579
Supplies and Expense	19,256	14,586
Total	<u>126,753</u>	<u>176,989</u>
Medical Records:		
Salaries and Wages	31,613	29,974
Purchased Services	9,557	10,062
Supplies and Expense	447	352
Total	<u>41,617</u>	<u>40,388</u>
Purchasing:		
Salaries and Wages	31,828	30,137
Supplies and Expense	878	1,335
Total	<u>32,706</u>	<u>31,472</u>

**DUNN COUNTY HEALTH CARE CENTER  
AN ENTERPRISE FUND OF DUNN COUNTY  
SUPPLEMENTARY SCHEDULES OF REVENUES AND EXPENSES (CONTINUED)  
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Administrative:		
Salaries and Wages	\$ 274,520	\$ 262,589
Insurance	45,290	45,452
Purchased Service	58,699	40,688
Telephone	22,839	18,604
Supplies and Expense	101,522	82,626
Assessment	263,040	184,950
Total	<u>765,910</u>	<u>634,909</u>
Depreciation	181,352	179,872
Employee Benefits	<u>3,165,915</u>	<u>2,998,094</u>
Total Operating Expenses	<u>11,509,952</u>	<u>11,078,151</u>
Loss from Operations	<u>(2,059,773)</u>	<u>(2,071,143)</u>
Nonoperating Revenues:		
Tax Levy Funds	750,000	748,482
Nonoperating Rental Income	20,384	21,539
Grant Funding	51,326	-
Intergovernmental Transfer Program Funds	<u>703,314</u>	<u>974,099</u>
Total Nonoperating Revenues	<u>1,525,024</u>	<u>1,744,120</u>
<b>NET LOSS BEFORE TRANSFERS</b>	<u><u>\$ (534,749)</u></u>	<u><u>\$ (327,023)</u></u>