

POLK COUNTY HOME (GOLDEN AGE MANOR)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2007 AND 2006

**GOLDEN AGE MANOR
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Polk County Home (Golden Age Manor)
Amery, Wisconsin

We have audited the accompanying financial statements of Polk County Home (Golden Age Manor), an enterprise fund of Polk County, Wisconsin, as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Home's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contain in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Polk County Home (Golden Age Manor), an enterprise fund of Polk County, Wisconsin, as of December 31, 2007 and 2006 and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 18, 2008 on our consideration of Polk County Home (Golden Age Manor)'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The Home has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Polk County Home (Golden Age Manor). The supplementary information on pages 19 to 24 is presented for purpose of additional analysis and is 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 stated in all material respects in relation to the basic financial statements taken as a whole.

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

LarsonAllen LLP

Hudson, Wisconsin
April 18, 2008

**POLK COUNTY HOME (GOLDEN AGE MANOR)
BALANCE SHEETS
DECEMBER 31, 2007 AND 2006**

ASSETS	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,020	\$ 1,020
Resident Receivables, Less Allowance for Uncollectible Accounts of Approximately \$75,500 in 2007 and \$0 in 2006	488,701	745,454
Estimated Third-Party Payor Settlements	344,000	-
Inventories	46,411	51,655
Prepaid Expenses	38,345	15,139
Total Current Assets	<u>918,477</u>	<u>813,268</u>
 NONCURRENT CASH AND INVESTMENTS		
Restricted Under Resident Trust Agreement	33,501	25,991
Restricted by Donors	7,585	7,278
Total Noncurrent Cash and Investments	<u>41,086</u>	<u>33,269</u>
 CAPITAL ASSETS, NET		
	<u>1,642,287</u>	<u>1,751,932</u>
 Total Assets		
	<u><u>\$ 2,601,850</u></u>	<u><u>\$ 2,598,469</u></u>

See accompanying Notes to Financial Statements.

LIABILITIES AND NET ASSETS	<u>2007</u>	<u>2006</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 129,700	\$ 90,478
Due to General County - Overdraft	141,493	588,832
Accrued Salaries, Wages and Benefits	214,810	195,220
Accrued Interest Payable	18,929	17,886
Accrued Compensated Absences	212,529	213,626
Current Portion of Advances From County	32,422	32,422
Current Portion of Long-Term Debt	876,145	67,779
Total Current Liabilities	<u>1,626,028</u>	<u>1,206,243</u>
RESIDENT FUNDS PAYABLE	33,501	25,991
LONG-TERM DEBT, Net of Current Portion		
Advances from County	224,454	256,876
Long-Term Debt	74,843	951,722
Total Long-Term Debt	<u>299,297</u>	<u>1,208,598</u>
 Total Liabilities	 1,734,372	 2,183,956
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Invested in Capital Assets Net of Related Debt	691,299	732,432
Restricted by Donors	7,585	7,278
Unrestricted	(55,860)	(582,073)
Total Net Assets	<u>643,024</u>	<u>157,637</u>
 Total Liabilities and Net Assets	 <u>\$ 2,601,850</u>	 <u>\$ 2,598,469</u>

**POLK COUNTY HOME (GOLDEN AGE MANOR)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
OPERATING REVENUES		
Net Resident Service Revenue (Net of Provision for Bad Debt of \$76,929 in 2007 and \$9,711 in 2006)	\$ 6,030,222	\$ 5,799,689
Other Operating Revenues	74,580	95,574
Total Operating Revenues	6,104,802	5,895,263
EXPENSES		
Daily Resident Services	3,846,123	3,813,928
Special Services	443,723	449,393
General Service	1,347,713	1,316,759
Other Cost Centers	11,015	35,522
Administrative Services	1,002,280	883,836
Depreciation	127,291	125,666
Interest	56,335	57,940
Total Expenses	6,834,480	6,683,044
OPERATING LOSS	(729,678)	(787,781)
NON-OPERATING GAINS (LOSSES)		
Intergovernmental Transfer Program	625,825	416,240
Interest Income	151	90
Loss on Sale of Fixed Assets	(50)	(1,323)
Restricted Contributions	307	510
Net Non-Operating Gains	626,233	415,517
DEFICIT OF REVENUES OVER EXPENSES BEFORE TRANSFERS	(103,445)	(372,264)
Transfers from County General Fund	588,832	-
CHANGE IN NET ASSETS	485,387	(372,264)
NETS ASSETS BEGINNING OF YEAR	157,637	529,901
NETS ASSETS END OF YEAR	\$ 643,024	\$ 157,637

See accompanying Notes to Financial Statements.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Residents and Third Party Payors	\$ 6,286,975	\$ 5,762,593
Cash Paid to Employees	(5,424,532)	(5,446,167)
Cash Paid to Suppliers	(1,186,569)	(1,022,487)
Other Receipts and Payments, Net	74,580	9,623
Net Cash Used by Operating Activities	(249,546)	(696,438)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash Received From Intermediary for Additional Financing of Prior Year Operations	281,825	553,662
Transfer From County	588,832	-
Change in Cash Overdraft Funded by County	(447,339)	345,239
Net Residents' Trust Funds Received (Disbursed)	7,510	3,911
Net Cash Provided by Non-Capital Financing Activities	430,828	902,812
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Paid for Acquisition of Capital Assets	(17,696)	(131,065)
Principal Paid on Advance from County	(32,422)	(32,422)
Interest on Advances from County	(12,563)	(12,736)
Principal Paid on Long-Term Notes	(68,513)	(68,818)
Interest Paid on Long-Term Notes	(42,729)	(47,412)
Net Cash Used by Capital and Related Financial Activities	(173,923)	(292,453)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	151	90
Interest on Restricted Donation Funds	307	187
Net Cash Provided by Investing Activities	458	277
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,817	(85,802)
Cash and Cash Equivalents - Beginning of Year	34,289	120,091
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 42,106	\$ 34,289

See accompanying Notes to Financial Statements.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (729,678)	\$ (787,781)
Adjustments to Reconcile Operating Income to Net Cash Used by Operations		
Depreciation	127,291	125,666
Interest Expense	56,335	57,940
Decrease (Increase) in:		
Patient Receivables	256,753	(123,063)
Inventories	5,244	216
Prepaid Expenses	(23,206)	16,939
Increase (Decrease) in:		
Accounts Payable	39,222	12,699
Accrued Salaries, Wages and Benefits	19,590	8,616
Accrued Compensated Absences	(1,097)	(7,670)
Net Cash Used by Operating Activities	\$ (249,546)	\$ (696,438)
 RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 1,020	\$ 1,020
Restricted Under Resident Trust Agreement	33,501	25,991
Restricted by Donors	7,585	7,278
 Cash and Cash Equivalents	\$ 42,106	\$ 34,289

See accompanying Notes to Financial Statements.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Polk County Home (Golden Age Manor) (the Home) is owned and operated as an enterprise fund by Polk County, Wisconsin (the County) as a not-for-profit, tax exempt, licensed nursing home. The Home is directed by a governing board appointed by the County Board of Supervisors. It is the intent of the County Board that the costs (expenses, including depreciation) of providing services to the residents on a continuing basis be financed or recovered primarily through user charges.

The Home is subject to regulation by the Wisconsin Department of Health and Family Services. Such regulation includes the Home's accounting practices and its rate setting for residents under the Title XIX Wisconsin Medical Assistance Program.

The Home maintains its financial records in accordance with the *Nursing Home Accounting and Reporting Manual* as required by the Wisconsin Department of Health and Family Services. The accounting practices therein conform to generally accepted accounting principles. The Home uses the accrual basis of accounting. Under this basis, revenues are recognized when they are earned and expenses are recognized when they are incurred.

For financial reporting purposes, the Home has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The Home has also considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Home are such that exclusion would cause the Home's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Home. The Home has no component units, which meet the Governmental Accounting Standards Board criteria.

Basis of Accounting

The Home uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Home has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and checking and savings accounts.

Accounts Receivable

The Home provides an allowance for uncollectible accounts based on the allowance method using management's judgment. Patients are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts past due more than 120 days are individually analyzed for collectibility. Amounts for which no payments have been received are written off using management's judgment on a per account basis. In addition, an allowance is estimated for other accounts based on historical experience of the Home. At December 31, 2007 and 2006, the allowance for uncollectible accounts was approximately \$75,500 and \$-, respectively.

Inventories

The inventories are recorded at the lower of cost or market using the latest invoice cost, which approximates the first-in, first-out method.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets limited by resident trust agreements and assets restricted by donors. All assets are held in checking and savings accounts.

Capital Assets

Capital Assets are reported at cost, if purchased, or at fair market value on the date received, if donated. It is the Home's policy to include amortization expense on assets acquired under capital leases with depreciation on owned assets. Depreciation is provided on the straight-line basis over the estimated useful lives of the property as follows:

Land Improvements	5-30 Years
Buildings and Building Improvements	10-40 Years
Fixed Equipment	10-25 Years
Major Movable Equipment	5-20 Years
Transportation Vehicles	4 Years

Net Assets

Net assets of the Home are classified in three components. Net assets invested in capital assets net of related debt consist 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 expendable net assets are non-capital net assets that must be used for a particular purpose, as specified by creditors, grantors or contributors external to the Home. Unrestricted net assets are the remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted net assets.

Restricted net assets consist of contributions for employee recreation at December 31, 2007 and 2006.

POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Excess of Revenues Over Expenditures

The statement of revenues, expenses and changes in net assets includes excess (deficit) of revenue over expenses. Changes in unrestricted net assets which are excluded from excess (deficit) of revenue over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Net Resident Revenues

Net resident revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Third-Party Reimbursement Agreements

Medicaid

The Home participates in the Medicaid program that is administrated by the Wisconsin Department of Health and Family Services (DHFS). Revenues for provided services are recognized by the Home as services are provided. Rates for services provided to residents under the Title XIX Wisconsin Medical Assistance Program are based on cost reports submitted by the Home and a formula determined by the Wisconsin Department of Health and Family Services. Average Title XIX rates cannot exceed private pay rates. Title XIX rates are subject to retroactive adjustment.

Medicare

By state statute, a nursing facility which participates in the Medicaid program must also participate in the Medicare program. This program is administered by the Centers for Medicare and Medicaid Services.

The Home is paid under the Medicare prospective payment system (PPS) for residents who are Medicare eligible. The PPS is a per diem price-based system.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A summary of resident service revenues and contractual adjustments is as follows:

	2007	2006
Total Resident Service Revenue	\$ 6,511,077	\$ 6,251,751
Contractual Adjustments		
Medicare	402,797	410,866
Provision for Bad Debts	76,929	9,711
Other	1,129	31,485
Total Contractual Adjustments	480,855	452,062
Net Patient Service Revenue	\$ 6,030,222	\$ 5,799,689

During the years ended December 31, 2007 and 2006, the occupancy percentages and the percentages of residents covered under the Medicare and Medicaid programs were as follows:

	2007	2006
Total Occupancy	97.2%	96.4%
Medicaid	70.7%	72.6%
Medicare	5.3%	6.2%

Contributions

From time to time the Home receives contributions from individuals and private organizations. Revenue contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

NOTE 2 RESIDENT RECEIVABLES

Resident receivables reported as current assets by the Home at December 31, 2007 and 2006 consisted of the following:

	2007	2006
Receivable from Patients and Their Insurance Carriers	\$ 187,516	\$ 125,390
Receivable from Medicare	173,304	189,898
Receivable from Medicaid	203,381	430,166
Total Patient Receivables	564,201	745,454
Less Allowance for Doubtful Accounts	(75,500)	-
Patient Receivables, Net	\$ 488,701	\$ 745,454

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 3 DEPOSITS

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the Home’s deposits may not be returned to it. In accordance with applicable state statutes, the Home, which is an enterprise fund of the City, maintains deposits at depository banks authorized by the County and is a member of the Federal Reserve System.

As a component unit of Polk County, Wisconsin, the Home is required to invest its funds in accordance with Wisconsin Statutes 66.0603 and 67.11(2). State statutes permit the County to invest available cash balances in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper and the local government pooled investment fund administered by the state investment board.

The Home’s deposits consist of amounts deposited in the Homes name. Deposits made in the Home’s name were entirely covered by collateral held in the Home’s name as of December 31, 2007.

The Home does not have an investment policy with respect to interest rate risk or credit risk.

Deposit balances at December 31, 2007 and 2006 consist of the following:

	2007	2006
Deposits	\$ 42,106	\$ 34,289

The carrying amount of deposits shown above is included in the Home’s balances as follows:

	2007	2006
Cash and Cash Equivalents	\$ 1,020	\$ 1,020
Noncurrent Cash and Investments		
Restricted Under Resident Trust Agreement	33,501	25,991
Restricted by Donors		
Recreation Fund	6,108	6,220
Employee Trust Fund	1,477	1,058
	\$ 42,106	\$ 34,289

The Homes operating account held by the County Treasurer was overdrawn by \$141,493 and \$588,832 at December 31, 2007 and 2006, respectively. The amounts are reflected in the financial statements as current liabilities due to the County at those dates.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 4 CAPITAL ASSETS

Summaries of capital assets for the years ended December 31, 2007 and 2006 are as follows:

Capital Assets	January 1, 2007	Additions	(Retirements)	December 31, 2007
Land	\$ 6,605	\$ -	\$ -	\$ 6,605
Land Improvements	103,386	-	-	103,386
Buildings	2,997,135	-	-	2,997,135
Fixed Equipment	768,999	-	-	768,999
Movable Equipment	737,607	17,696	(4,268)	751,035
Transportation Equipment	49,782	-	-	49,782
Non-Home Equipment	48,808	-	(48,808)	-
Totals	<u>4,712,322</u>	<u>17,696</u>	<u>(53,076)</u>	<u>4,676,942</u>
Accumulated Depreciation				
Land Improvements	80,874	4,347	-	85,221
Buildings	1,661,228	66,107	-	1,727,335
Fixed Equipment	494,702	28,887	-	523,589
Movable Equipment	629,725	23,219	(4,218)	648,726
Transportation Equipment	45,053	4,731	-	49,784
Non-Home Equipment	48,808	-	(48,808)	-
Totals	<u>2,960,390</u>	<u>\$ 127,291</u>	<u>\$ (53,026)</u>	<u>3,034,655</u>
	<u>\$ 1,751,932</u>			<u>\$ 1,642,287</u>
Capital Assets	January 1, 2006	Additions	(Retirements)	December 31, 2006
Land	\$ 6,605	\$ -	\$ -	\$ 6,605
Land Improvements	92,985	10,401	-	103,386
Buildings	2,997,135	-	-	2,997,135
Fixed Equipment	706,580	99,144	(36,725)	768,999
Movable Equipment	730,756	21,520	(14,669)	737,607
Transportation Equipment	49,782	-	-	49,782
Non-Home Equipment	48,808	-	-	48,808
Totals	<u>4,632,651</u>	<u>131,065</u>	<u>(51,394)</u>	<u>4,712,322</u>
Accumulated Depreciation				
Land Improvements	76,694	4,180	-	80,874
Buildings	1,594,954	66,274	-	1,661,228
Fixed Equipment	506,358	25,069	(36,725)	494,702
Movable Equipment	617,656	25,415	(13,346)	629,725
Transportation Equipment	40,325	4,728	-	45,053
Non-Home Equipment	48,808	-	-	48,808
Totals	<u>2,884,795</u>	<u>\$ 125,666</u>	<u>\$ (50,071)</u>	<u>2,960,390</u>
	<u>\$ 1,747,856</u>			<u>\$ 1,751,932</u>

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 5 LONG-TERM DEBT AND ADVANCES FROM COUNTY

Long-term debt and Advances from County consist of the following as of December 31, 2007 and 2006:

Advances from County

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>(Payments)</u>	<u>Balance December 31, 2007</u>	<u>Amounts Due Within One Year</u>
\$400,000 advance of 6/1/79 from Polk County, due in annual principal payments of \$11,500 through 3/1/15. Interest was retired in 1989.	\$ 101,000	\$ -	\$ (11,500)	\$ 89,500	\$ 11,500
\$238,439, 9/27/95 state trust fund loan, reclassified as advance in 1997, due in annual installments of principal of \$11,922 plus interest at 5.0% through 3/1/15.	107,298	-	(11,922)	95,376	11,922
\$180,000 advance of 4/10/98 from Polk County, due in annual installments of principal of \$9,000 plus interest at 6.75% through 9/1/15.	<u>81,000</u>	<u>-</u>	<u>(9,000)</u>	<u>72,000</u>	<u>9,000</u>
Total Advances from County	<u>\$ 289,298</u>	<u>\$ -</u>	<u>\$ (32,422)</u>	<u>\$ 256,876</u>	<u>\$ 32,422</u>
	<u>Balance January 1, 2006</u>	<u>Additions</u>	<u>(Payments)</u>	<u>Balance December 31, 2006</u>	<u>Amounts Due Within One Year</u>
\$400,000 advance of 6/1/79 from Polk County, due in annual principal payments of \$11,500 through 3/1/15. Interest was retired in 1989.	\$ 112,500	\$ -	\$ (11,500)	\$ 101,000	\$ 11,500
\$238,439, 9/27/95 state trust fund loan, reclassified as advance in 1997, due in annual installments of principal of \$11,922 plus interest at 5.0% through 3/1/15.	119,220	-	(11,922)	107,298	11,922
\$180,000 advance of 4/10/98 from Polk County, due in annual installments of principal of \$9,000 plus interest at 6.75% through 9/1/15.	<u>90,000</u>	<u>-</u>	<u>(9,000)</u>	<u>81,000</u>	<u>9,000</u>
Total Advances from County	<u>\$ 321,720</u>	<u>\$ -</u>	<u>\$ (32,422)</u>	<u>\$ 289,298</u>	<u>\$ 32,422</u>

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 5 LONG-TERM DEBT AND ADVANCES FROM COUNTY (CONTINUED)

Long-Term Debt

	Balance January 1, 2007	Additions	(Payments)	Balance December 31, 2007	Amounts Due Within One Year
\$1,300,000 G.O. bonds dated 6/1/98, due in annual installments of principal and interest of 4.58%, with final balloon payment due in April 2008. Secured by the assets of the Home.	\$ 929,984	\$ -	\$ (60,000)	\$ 869,984	\$ 869,984
\$15,000 note payable dated 5/9/03 due in monthly installments of principal and interest at 4.95% through May 2008.	4,679	-	(3,242)	1,437	1,437
\$90,000 note payable dated 12/31/05 due in semi-annual payments of \$4,131 of principal and interest at 4.45% with a final balloon payment of \$39,000 due 10/1/15. Secured by the assets of the Home.	84,838	-	(5,271)	79,567	4,724
Total Long-Term Debt	\$ 1,019,501	\$ -	\$ (68,513)	\$ 950,988	\$ 876,145
	Balance January 1, 2006	Additions	(Payments)	Balance December 31, 2006	Amounts Due Within One Year
\$1,300,000 G.O. bonds dated 6/1/98, due in annual installments of principal and interest of 4.58%, with final balloon payment due in April 2008. Secured by the assets of the Home.	\$ 989,984	\$ -	\$ (60,000)	\$ 929,984	\$ 60,000
\$15,000 note payable dated 5/9/03 due in monthly installments of principal and interest at 4.95% through May 2008.	8,335	-	(3,656)	4,679	3,242
\$90,000 note payable dated 12/31/05 due in semi-annual payments of \$4,131 of principal and interest at 4.45% with a final balloon payment of \$39,000 due 10/1/15. Secured by the assets of the Home.	90,000	-	(5,162)	84,838	4,537
Total Long-Term Debt	\$ 1,088,319	\$ -	\$ (68,818)	\$ 1,019,501	\$ 67,779

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 5 LONG-TERM DEBT AND ADVANCES FROM COUNTY (CONTINUED)

Scheduled principal and interest payments on long-term debt and advances from county are as follows:

<u>Years Ending December 31:</u>	<u>Long-Term Debt</u>		<u>Advances From County</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 876,165	\$ 15,763	\$ 32,422	\$ 9,629
2009	4,957	14,260	32,422	8,425
2010	5,181	12,696	32,422	7,222
2011	5,414	11,068	32,422	6,018
2012	5,657	9,373	32,422	4,814
2013-2017	53,614	19,304	94,766	7,221
	<u>\$ 950,988</u>	<u>\$ 82,464</u>	<u>\$ 256,876</u>	<u>\$ 43,329</u>

NOTE 6 ACCUMULATED VACATION AND SICK LEAVE LIABILITY

Employees earn one day of sick leave per month with a maximum accumulation of 120 days. This is prorated for part-time employees. Employees who reach the age of fifty-five have the option to take in cash pay one-half of accrued sick leave up to forty-five days or the option to use an amount equivalent to 67% of their accrued sick leave toward the purchase of continued health insurance. Vested sick leave earned and not taken was approximately \$82,661 and \$88,297 at December 31, 2007 and 2006, respectively, determined on the basis of current salary rates. The Home has used the 67% maximum liability for employees over the age of fifty-five (eighteen at year end) to determine its accrued liability.

Vacation is granted to employees in varying amounts based on length of service. Vacation for part-time employees is prorated. Employees are allowed to carry over to the following year one-half of their current year's vacation. The estimated value of recorded vacation leave at December 31, 2007 and 2006 was \$129,868 and \$125,329, respectively.

NOTE 7 EMPLOYEE RETIREMENT PLAN

All eligible Polk County employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 at least a year are eligible to participate in the WRS. Covered employees in the general category are required by statute to contribute 6.0% of their salary (2.9% for executives and elected officials, 5.0% for protective occupations with social security, and 3.3% for protective occupations without social security) to the plan. Employers may make these contributions to the plan on behalf of the employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 7 EMPLOYEE RETIREMENT PLAN (CONTINUED)

The paid payroll for all employees of the County covered by the WRS for the year ended December 31, 2007 was \$18,459,987, the County's total paid payroll was \$18,970,229. The paid payroll for the employees of the Home covered by the WRS for the year ended December 31, 2007 was \$3,708,081. The Home's total paid payroll was \$3,808,511. The County's total required contribution for the year ended December 31, 2007 was \$2,084,755, which consisted of \$713,719, or 5.0% of payroll from the employer and \$1,371,036, or 6.0% of payroll from employees. The Home is charged its share of the County's total required contributions to the WRS. The Home's share of the County's required contributions to the WRS for the year ended December 31, 2007 was \$407,889. Total County contributions for the years ending December 31, 2006 and 2005 were \$1,895,504 and \$1,843,654, respectively, equal to the required contributions for each year. The Home's share of contributions for the years ending December 31, 2006 and 2005 were \$450,473 and \$375,391, respectively.

The County paid its unfunded liability for prior service costs under the plan in its entirety during 2003 and, accordingly, the County had no unfunded liability for prior service costs at December 31, 2007.

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 is the average of the employees' three highest years 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 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 WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of the State Statutes. The WRS 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 COMMITMENTS AND CONTINGENCIES

Healthcare Risk Management

The healthcare 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 healthcare 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 healthcare providers. Violation of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed.

POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE 9 SUBSEQUENT EVENTS

Polk County entered into to an agreement to sell the net assets and operations of Polk County Nursing Home to a private organization subsequent to year end. The effective date of the sale is March 31, 2008, however, a lawsuit has been filed by a number of residents of Polk County regarding the legality of the sale. An initial ruling was made in favor of the County that upheld the sale. A stay was issued pending the completion of the appeal process.

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SUPPLEMENTARY INFORMATION

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**POLK COUNTY HOME (GOLDEN AGE MANOR)
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS – BUDGET AND ACTUAL
 DECEMBER 31, 2007 AND 2006**

	2007		Variance Positive (Negative)	2006 Actual
	Budgeted	Actual		
OPERATING REVENUES:				
Resident Service Revenue:				
Bedhold Charges - Private	\$ 11,168	\$ 19,607	\$ 8,439	\$ 19,389
Bedhold Charges - Medicaid	19,042	24,561	5,519	20,737
SNF - Medicare	708,627	758,353	49,726	804,318
ISN - Medicaid	87,553	87,769	216	149,921
SNF - Medicaid	61,736	81,056	19,320	-
ICF - I & II - Medicaid	3,408,240	3,281,610	(126,630)	3,255,466
SNF - Private	1,486,624	1,589,696	103,072	1,325,882
Private Pay - Insurance	111,088	104,675	(6,413)	96,895
Special Care Unit - Private Room/Private Pay	65,755	67,822	2,067	3,330
Veterans Administration Skilled	-	(30)	(30)	41,159
Private Room Charges	41,640	48,085	6,445	41,930
Physical Therapy - Medicare Part A	123,651	116,551	(7,100)	123,651
Physical Therapy - Medicare Part B	17,822	17,950	128	17,192
Physical Therapy - Private Pay/Insurance	29,304	22,923	(6,381)	26,076
Physical Therapy - Medical Assistance	-	1,292	1,292	241
Occupational Therapy - Medicare Part A	104,854	105,916	1,062	84,933
Occupational Therapy - Medicare Part B	4,022	6,435	2,413	7,319
Occupational Therapy - Private Pay/Insurance	21,728	21,406	(322)	24,718
Occupational Therapy - Medical Assistance	-	958	958	-
Speech Therapy - Medicare Part A	1,526	5,143	3,617	16,337
Speech Therapy - Medicare Part B	3,758	4,075	317	2,164
Speech Therapy - Private Insurance	6,992	4,045	(2,947)	2,780
Speech Therapy - Medical Assistance	-	658	658	-
Respiratory Therapy - Medicare Part A	-	410	410	-
Medical Surgical Supplies - Part A	6,477	5,724	(753)	14,899
Medical Surgical Supplies - Other	26,247	14,965	(11,282)	7,479
Pharmacy - Medicare Part A	123,548	107,063	(16,485)	123,548
Pharmacy - Private Insurance	15,423	8,327	(7,096)	16,330
Pharmacy - V.A.	-	202	202	(533)
Billable Medical Supplies - Private Pay	-	10,928	10,928	11,970
Laboratory - Medicare Part A	9,570	11,170	1,600	19,314
Laboratory - Medicare Part B	1,926	2,188	262	4,215
Laboratory - Private Insurance	614	695	81	895
Laboratory - Medical Assistance	-	104	104	-

**POLK COUNTY HOME (GOLDEN AGE MANOR)
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS – BUDGET AND ACTUAL
 DECEMBER 31, 2007 AND 2006**

	2007		Variance Positive (Negative)	2006 Actual
	Budgeted	Actual		
OPERATING REVENUES: (cont'd.)				
Resident Service Revenue: (cont'd)				
X-Ray - Medicare Part A	\$ 5,968	\$ 4,389	\$ (1,579)	\$ 10,407
X-Ray - V.A.	-	-	-	202
Immunizations - Medicare Part A and B	5,764	3,028	(2,736)	74
Medicare Part A Ancillary Adjustments	(424,628)	(432,598)	(7,970)	(463,838)
Provision for Bad Debt	(10,000)	(76,929)	(66,929)	(9,711)
Total Resident Service Revenue	6,076,039	6,030,222	(45,817)	5,799,689
Other Operating Revenues:				
Transportation:				
Medicaid	8,441	7,396	(1,045)	11,594
Private	4,730	4,124	(606)	4,460
Dietary:				
Meals Sold	7,000	3,355	(3,645)	9,625
Assisted Living Rentals	22,196	22,196	-	47,112
Craft Sales	7,441	4,851	(2,590)	5,568
Miscellaneous Services:				
Level I Screening	3,630	2,190	(1,440)	3,030
Telephone	170	70	(100)	243
Lifeline Service to Apartments	240	195	(45)	135
Other	2,200	6,905	4,705	3,730
Insurance Refunds - Legal Fees	30,644	9,447	(21,197)	85
Revenue From Rate Appeals	12,934	12,934	-	9,538
Revenue for Nurses Aide Training	1,375	917	(458)	454
Total Other Operating Revenues	101,001	74,580	(26,421)	95,574
Total Operating Revenues	6,177,040	6,104,802	(72,238)	5,895,263
OPERATING EXPENSES:				
Daily Resident Services:				
Registered Nurses:				
Salaries and Wages	645,564	574,590	70,974	655,828
Fringe Benefits	219,364	206,369	12,995	249,099
Pool Help	28,712	28,273	439	44,637
Licensed Practical Nurses:				
Salaries and Wages	402,909	438,195	(35,286)	386,319
Fringe Benefits	142,004	154,570	(12,566)	150,663
Pool Help	51,868	76,009	(24,141)	40,116

**POLK COUNTY HOME (GOLDEN AGE MANOR)
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS – BUDGET AND ACTUAL
 DECEMBER 31, 2007 AND 2006**

	2007		Variance Positive (Negative)	2006 Actual
	Budgeted	Actual		
OPERATING EXPENSES: (cont'd.)				
Daily Patient Services: (cont'd.)				
Nurses Aides:				
Salaries and Wages	\$ 1,626,278	\$ 1,616,817	\$ 9,461	\$ 1,578,911
Fringe Benefits	645,060	619,761	25,299	578,431
Pool Help	1,000	2,711	(1,711)	551
Purchased Services	1,606	8,065	(6,459)	75
Supplies and Expenses	124,445	116,644	7,801	125,742
Over The Counter Drugs	3,663	4,119	(456)	3,556
Total Daily Patient Services	<u>3,892,473</u>	<u>3,846,123</u>	<u>46,350</u>	<u>3,813,928</u>
Special Services:				
Laboratory:				
Purchased Services	8,905	5,837	3,068	7,649
Radiology:				
Purchased Services	3,592	3,803	(211)	2,769
Pharmacy:				
Supplies and Expenses	69,376	60,959	8,417	77,799
Purchased Services	1,320	1,320	-	1,320
Physical Therapy:				
Purchased Services	12,668	25,475	(12,807)	13,118
Occupational Services:				
Purchased Services	34,185	34,542	(357)	31,085
Medical Director Fees:				
Purchased Services	7,200	6,600	600	7,800
Social Services:				
Salaries and Wages	70,153	68,540	1,613	68,109
Fringe Benefits	23,483	26,767	(3,284)	27,207
Supplies and Expenses	419	-	419	-
Recreation Activities:				
Salaries and Wages	133,313	136,382	(3,069)	129,431
Fringe Benefits	74,891	69,860	5,031	74,453
Supplies and Expenses	5,625	-	5,625	5,114
Speech Therapy:				
Purchased Services	3,896	3,638	258	3,519
Respiratory Therapy:				
Purchased Services	-	-	-	20
Infusion Therapy:				
Purchased Services	3,976	-	3,976	-
Total Special Services	<u>453,002</u>	<u>443,723</u>	<u>9,279</u>	<u>449,393</u>

**POLK COUNTY HOME (GOLDEN AGE MANOR)
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS – BUDGET AND ACTUAL
 DECEMBER 31, 2007 AND 2006**

	2007		Variance Positive (Negative)	2006 Actual
	Budgeted	Actual		
OPERATING EXPENSES: (cont'd.)				
General Services:				
Dietary:				
Salaries and Wages	\$ 307,198	\$ 309,126	\$ (1,928)	\$ 298,250
Fringe Benefits	159,560	150,120	9,440	150,936
Supplies and Expenses	35,597	41,855	(6,258)	32,361
Food	197,822	197,672	150	188,097
Maintenance:				
Salaries and Wages	85,696	76,711	8,985	72,261
Fringe Benefits	31,236	27,439	3,797	40,808
Purchased Services	36,582	40,276	(3,694)	20,842
Supplies and Expenses	31,619	29,243	2,376	28,638
Housekeeping:				
Salaries and Wages	172,608	167,996	4,612	167,581
Fringe Benefits	79,037	74,884	4,153	81,805
Purchased Services	2,375	2,442	(67)	2,483
Supplies and Expenses	33,092	30,568	2,524	30,528
Laundry and Linen:				
Salaries and Wages	113,733	107,281	6,452	100,757
Fringe Benefits	50,680	41,817	8,863	49,298
Supplies and Expenses	11,863	11,597	266	11,364
Transportation:				
Salaries and Wages	25,335	22,863	2,472	24,597
Fringe Benefits	16,561	13,795	2,766	15,009
Supplies and Expenses	1,258	2,028	(770)	1,144
Total General Services	1,391,852	1,347,713	44,139	1,316,759
Other Cost Centers:				
Evergreen Assisted Living:				
Salaries and Wages	620	620	-	2,306
Fringe Benefits	199	213	(14)	674
Lease	8,969	8,969	-	30,375
Supplies and Expenses	-	1,213	(1,213)	2,167
Total Other Cost Centers	9,788	11,015	(1,227)	35,522
Administrative Services:				
Fiscal/Accounting:				
Salaries and Wages	147,041	144,972	2,069	142,759
Fringe Benefits	66,003	67,063	(1,060)	59,086
Purchased Services	29,328	22,356	6,972	23,738
Supplies and Expenses	13,078	13,941	(863)	14,647

**POLK COUNTY HOME (GOLDEN AGE MANOR)
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS – BUDGET AND ACTUAL
 DECEMBER 31, 2007 AND 2006**

	2007		Variance Positive (Negative)	2006 Actual
	Budgeted	Actual		
OPERATING EXPENSES: (cont'd.)				
Administrative Services: (cont'd.)				
Medical Records:				
Salaries and Wages	\$ 72,467	\$ 72,632	\$ (165)	\$ 67,509
Fringe Benefits	27,635	28,187	(552)	26,902
Supplies and Expenses	1,454	1,448	6	1,322
General Administration:				
Salaries and Wages	91,457	92,181	(724)	86,986
Fringe Benefits	25,171	26,281	(1,110)	18,259
Committee Fees and Expenses	4,670	4,633	37	4,670
Legal Fees	3,381	-	3,381	8,119
Accounting Fees	167	-	167	300
Telephone	11,841	14,954	(3,113)	11,523
Postage	3,742	33,642	(29,900)	4,060
Subscriptions and Dues	7,020	7,591	(571)	6,242
Bed Assessment Fee	102,600	102,600	-	102,600
Licenses	1,370	1,611	(241)	1,518
Advertising Employment	748	5,845	(5,097)	893
Advertising Promotion	4,283	3,693	590	3,662
Administrative Travel	5,687	4,964	723	4,458
Expense Related to ITP	2,301	-	2,301	-
Supplies and Expenses	48,114	30,188	17,926	15,431
Continuing Education and Meetings	5,532	4,652	880	3,900
Fuel - Wisconsin Gas Company	82,052	70,653	11,399	48,405
Fuel for Generator	1,202	1,871	(669)	1,202
Electricity	22,321	23,253	(932)	22,321
Police and Fire Protection Fees	2,100	1,680	420	2,100
Water and Sewer	25,782	20,770	5,012	25,782
Equipment Operating Lease	10,012	10,192	(180)	9,373
Insurance:				
Property Insurance	6,203	5,298	905	5,847
General Liability Insurance	62,138	87,424	(25,286)	62,494
Worker's Compensation Insurance	105,399	97,705	7,694	105,399
Change in Employee Leave	-	-	-	(7,671)
Total Administrative Services	992,299	1,002,280	(9,981)	883,836

**POLK COUNTY HOME (GOLDEN AGE MANOR)
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS – BUDGET AND ACTUAL
 DECEMBER 31, 2007 AND 2006**

	2007		Variance Positive (Negative)	2006 Actual
	Budgeted	Actual		
OPERATING EXPENSES: (cont'd.)				
Depreciation:				
Land Improvements	\$ 4,179	\$ 4,347	\$ (168)	\$ 4,179
Buildings	66,274	66,107	167	66,274
Fixed Equipment	25,069	28,889	(3,820)	25,069
Major Moveable Equipment	25,415	23,219	2,196	25,415
Vehicles	4,729	4,729	-	4,729
	<u>125,666</u>	<u>127,291</u>	<u>(1,625)</u>	<u>125,666</u>
 Interest:	 56,335	 56,335	 -	 57,940
 Total Operating Expenses	 <u>6,921,415</u>	 <u>6,834,480</u>	 <u>86,935</u>	 <u>6,683,044</u>
 OPERATING LOSS	 (744,375)	 (729,678)	 14,697	 (787,781)
 NONOPERATING REVENUES (EXPENSES):				
Intergovernmental Transfer Program	565,060	625,825	60,765	416,240
Interest Income - General	286	151	(135)	90
Restricted Donations Received	-	307	307	510
Gain (Loss) on Removal of Property	-	(50)	(50)	(1,323)
	<u>-</u>	<u>(50)</u>	<u>(50)</u>	<u>(1,323)</u>
 Total Nonoperating Revenues (Expenses)	 <u>565,346</u>	 <u>626,233</u>	 <u>60,887</u>	 <u>415,517</u>
 DEFICIT OF REVENUES OVER EXPENSES BEFORE TRANSFERS	 (179,029)	 (103,445)	 75,584	 (372,264)
 TRANSFER FROM COUNTY GENERAL FUND	 <u>54,318</u>	 <u>588,832</u>	 <u>534,514</u>	 <u>-</u>
 CHANGE IN NET ASSETS	 <u>\$ (124,711)</u>	 <u>\$ 485,387</u>	 <u>\$ 610,098</u>	 <u>\$ (372,264)</u>
 Change from General Operations	 \$ (124,711)	 \$ 485,080	 \$ 609,791	 \$ (372,774)
Change in Restricted Donation Funds	-	307	307	510
	<u>\$ (124,711)</u>	<u>\$ 485,387</u>	<u>\$ 610,098</u>	<u>\$ (372,264)</u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Polk County Home (Golden Age Manor)
Amery, Wisconsin

We have audited the financial statements of Polk County Home (Golden Age Manor), as of and for the year ended December 31, 2007, and have issued our report thereon dated April 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Polk County Home (Golden Age Manor)'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and others we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2007-1 through 2007-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above as items 2007-2 and 2007-3 to material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County Home (Golden Age Manor)'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Polk County Home (Golden Age Manor) in a separate letter dated April 18, 2008

Polk County Home (Golden Age Manor)'s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Polk County Home (Golden Age Manor)'s responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, others within the Entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LarsonAllen LLP

Hudson, Wisconsin
April 18, 2008

**POLK COUNTY HOME (GOLDEN AGE MANOR)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2007**

FINDING: 2007-1

LIMITED SEGREGATION OF DUTIES

- Condition:** Due to the limited size of the business office, the Home has limited segregation of duties in various processes.
- Criteria:** Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.
- Effect:** No effect on the financial statements.
- Cause:** The Home has a limited number of employees in the business office.
- Recommendation:** The Home should continue to segregate duties as best it can within the limits of what the Home considers to be cost beneficial.
- Management's Responses** Management has determined that it is not economically feasible for them to employ the additional personnel needed to adequately segregate duties; therefore, the Home will review and make improvements to its internal controls when opportunities arise.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2007**

FINDING: 2007-2

ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

- Condition:** The Home does not have an internal control policy in place over annual financial reporting under GAAP, therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the Home's internal controls.
- Criteria:** The Home must be able to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.
- Effect:** No effect on the financial statements.
- Cause:** The Home has not adopted a policy over the annual financial reporting under GAAP; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.
- Recommendation:** The Home should continue to evaluate their internal staff and expertise to determine if an internal control policy over the annual financial reporting is beneficial.
- Management's Response:** Management will continue to rely upon the audit firm to create the draft financial statements and related footnote disclosures, and will review and approve these prior to the issuance of the annual financial statements.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2007**

FINDING: 2007-3

CORRECTED FINANCIAL STATEMENT MISSTATEMENTS

- Condition:** The audit firm proposed and the Home posted to its general ledger journal entries to correct certain year end account balances.
- Criteria:** The Home must be able to prevent or detect a material misstatement in the financial statements in a timely manner.
- Effect:** There is no impact related to corrected misstatements.
- Cause:** Certain account balances required adjusting or reclassifying at year end to be in accordance with Generally Accepted Accounting Principles (GAAP).
- Recommendation:** Accounting personnel should review final account balances and consult with the auditors throughout the year regarding accounts and adjustments as needed.
- Management's Response:** The Home has requested and received guidance on recording various transactions for future reference.