

POLK COUNTY HOME (GOLDEN AGE MANOR)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2017 AND 2016

**POLK COUNTY HOME (GOLDEN AGE MANOR)
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Polk County Home (Golden Age Manor), which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Polk County Home (Golden Age Manor), as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan schedules, as referenced in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

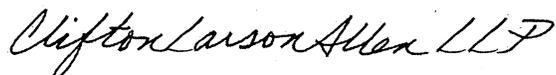
Supplementary Information

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, as referenced in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation the financial statements as a whole. The original budget information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on the original budget information.

Board of Directors
Polk County Home (Golden Age Manor)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018 on our consideration of Polk County Home (Golden Age Manor's) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Polk County Home (Golden Age Manor's) internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Eau Claire, Wisconsin
June 22, 2018

**POLK COUNTY HOME (GOLDEN AGE MANOR)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016**

Our discussion and analysis of Polk County Home's (Golden Age Manor) (the Home) financial performance provides an overview of the Home's financial activities for the fiscal years ended December 31, 2017 and 2016. Please read it in conjunction with Polk County Home (Golden Age Manor)'s financial statements.

FINANCIAL HIGHLIGHTS

- The Home's net position decreased by \$235,969 and \$221,242 in 2016 and 2017, respectively.
- For the years ended December 31, 2016 and 2017 there was an excess of expenses over revenue before capital contributions and transfers to the County of \$214,292 and \$199,565, respectively.
- The Home experienced a loss from operations of \$1,334,340 in fiscal 2016 and a loss from operations of \$1,358,065 was experienced in 2017.
- Operating revenues decreased by 1.02% from \$6,787,715 in fiscal 2016 to \$6,718,590 in 2017. Operating expenses decreased by 0.68% over the same period, from \$8,132,055 to \$8,076,655.

USING THIS ANNUAL REPORT

The Home's financial statements consist of three statements – statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Home.

THE STATEMENTS OF NET POSITION AND THE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

One of the most important questions asked about the Home's finance is, "Is the Home, as a whole, better or worse off as a result of the year's activities?" The Statement of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the Home's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted position and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Home's net position and changes in them. You can think of the Home's net position – the difference between assets and deferred outflows of resources and liabilities – as one way to measure the Home's financial health, or financial position. Over time, increases or decreases in the Home's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Home's occupancy and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Home.

THE STATEMENTS OF CASH FLOWS

The final required statement is the Statements of Cash Flows. The statements reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balances during the reporting period?"

**POLK COUNTY HOME (GOLDEN AGE MANOR)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016**

THE HOME'S NET POSITION

The Home's net position is the difference between its assets and deferred outflows of resources and its liabilities and deferred inflows of resources reported on the statements of net position.

Table 1: Assets and Deferred Outflows/Inflows of Resources, Liabilities, and Net Position

	2017	2016	2015
Assets and Deferred Outflows of Resources:			
Current Assets	\$ 661,341	\$ 671,242	\$ 589,593
Restricted Assets	27,301	35,801	707,648
Capital Assets, Net	1,390,833	1,458,139	1,548,320
Deferred Outflows of Resources	1,469,779	2,358,182	696,704
Total Assets and Deferred Outflows of Resources	\$ 3,549,254	\$ 4,523,364	\$ 3,542,265
Liabilities and Deferred Inflows of Resources:			
Due to County General Fund	\$ -	\$ 142,824	\$ 52,638
Other Current Liabilities	699,945	716,174	743,040
Resident Funds Payable	20,675	27,956	22,467
Other Post Employment Benefit Obligation	453,837	425,436	405,189
Long-Term Debt	352,806	687,022	432,364
Deferred Inflows of Resources	592,635	873,354	-
Total Liabilities and Deferred Inflows of Resources	2,119,898	2,872,766	1,655,698
Net Position:			
Invested in Capital Assets Net of Related Debt	1,390,833	1,458,139	1,437,536
Restricted by Donors	6,626	7,845	9,729
Restricted for Pension Plan	-	-	675,452
Unrestricted	31,897	184,614	(236,150)
Total Net Position	1,429,356	1,650,598	1,886,567
Total Liabilities and Net Position	\$ 3,549,254	\$ 4,523,364	\$ 3,542,265

A significant component of the Home's assets is its net accounts receivable from residents and third-party payors. This balance decreased 8.1% from \$585,307 in fiscal 2016 to \$537,983 in 2017. Net resident revenues decreased by 1.5%, due to slight rate increases offset by a decrease in occupancy.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016**

OPERATING RESULTS AND CHANGES IN THE HOME'S NET POSITION

A summarized table of the changes in net position is presented below.

Table 2: Operating Results and Changes in Net Position

	2017	2016	2015
Net Resident Service Revenue	\$ 6,657,055	\$ 6,755,820	\$ 6,686,014
Other Operating Revenue	61,535	31,895	29,699
Total Revenue	<u>6,718,590</u>	<u>6,787,715</u>	<u>6,715,713</u>
Operating Expenses			
Daily Resident Services	4,279,193	4,357,475	4,325,778
Special Services	697,099	707,969	734,264
General Service	1,300,523	1,348,661	1,438,248
Other Cost Centers	3,240	5,713	-
Administrative Services	1,629,776	1,532,429	1,116,383
Depreciation	166,824	179,808	180,384
Total Expenses	<u>8,076,655</u>	<u>8,132,055</u>	<u>7,795,057</u>
Operating Loss	(1,358,065)	(1,344,340)	(1,079,344)
Non-Operating Revenues	<u>1,158,500</u>	<u>1,130,048</u>	<u>1,067,150</u>
Excess (Deficit) of Revenues over Expenses Before Transfers	(199,565)	(214,292)	(12,194)
Transfers to County General Fund	(21,677)	(21,677)	(21,677)
Increase (Decrease) in Net Position	<u>(221,242)</u>	<u>(235,969)</u>	<u>(33,871)</u>
Net Position, Beginning of Year	<u>1,650,598</u>	<u>1,886,567</u>	<u>1,920,438</u>
Net Position, End of Year	<u>\$ 1,429,356</u>	<u>\$ 1,650,598</u>	<u>\$ 1,886,567</u>

Revenues at Polk County Home (Golden Age Manor) are generally determined by two factors – overall occupancy and the number of Medicare or other short stay residents. Occupancy is simply a matter of how many of the Home's available beds are occupied. Medicare occupancy is significant as these reflect residents with therapy and rehabilitative needs that result in greater reimbursement. The Home's total occupancy for fiscal 2016 was 89.4% and fiscal 2017 was 83.2%. Medicare utilization increased from 5.4% in 2016 to 6.7% in 2017.

As noted previously, Polk County Home (Golden Age Manor's) operating expenses decreased \$55,400 or 0.7% from fiscal 2016 to 2017. The primary components of the Home's expenses are noted below:

- Approximately 51% of the Home's expenses are employee wages. Due to changes in census, employee work hours continue to be evaluated. Wage expenses for 2016 were \$4,320,997 as compared to \$4,147,637 in 2017. Health insurance and State pension are also significant cost factors for the Home.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016**

OPERATING RESULTS AND CHANGES IN THE HOME'S NET POSITION (CONTINUED)

Non-operating gains consist of interest income, contributions, and Supplemental Payment Program (SP). The Home recognized non-operating Supplemental Payment Program funds of \$1,159,700 and \$1,154,914 for the years ended December 31, 2017 and 2016.

THE HOME'S CASH FLOWS

Changes in the Home's cash flows are generally consistent with changes in net position as discussed above. Cash used by operating activities was \$655,965 in fiscal year 2017 and \$997,947 in fiscal year 2016.

CAPITAL ASSET AND NON-OPERATING ADMINISTRATION

As of December 31, 2017, the Home had \$1,390,833 invested in capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statements. During fiscal years ended December 31, 2017 and 2016 the Home purchased and leased new capital assets of \$99,518 and \$80,917, respectively.

LONG-TERM DEBT

The table below shows the Home's outstanding long-term debt.

Table 3: Long-Term Debt

	2017	2016	2015
Capital Lease Obligation	\$ -	\$ -	\$ 1,779
Advances from County	298,364	432,364	541,369
Total Long-Term Debt	<u>\$ 298,364</u>	<u>\$ 432,364</u>	<u>\$ 543,148</u>

ECONOMIC FACTORS

Polk County Home (Golden Age Manor) Board and management considered many factors when setting the fiscal year 2017 budget. Of primary importance in setting the 2017 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Medicare and Medicaid reimbursement rates
- Occupancy fluctuations and aging demographics
- Increased costs of various insurance programs
- Workforce shortages, including nursing shortages
- Increased wages due to union contracts
- Cost of supplies and ancillary services

CONTACTING POLK COUNTY HOME (GOLDEN AGE MANOR'S) FINANCIAL MANAGEMENT

This financial audit report is designed to provide our residents, families, suppliers, taxpayers, and community with a general overview of Polk County Home (Golden Age Manor's) finances and to show Polk County Home (Golden Age Manor's) accountability for the money it receives. If you have questions about this report or need additional financial information, contact Polk County Home (Golden Age Manor) at 715-268-7107.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016**

ASSETS	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 71,023	\$ 1,000
Resident Receivables, Less Allowance for Uncollectible Accounts of \$140,000 in 2017 and 2016	537,983	585,307
Other Receivables	196	-
Inventories	16,378	45,681
Prepaid Expenses	35,761	39,254
Total Current Assets	661,341	671,242
RESTRICTED ASSETS		
Restricted Under Resident Trust Agreement	20,675	27,956
Restricted by Donors	6,626	7,845
Total Restricted Assets	27,301	35,801
CAPITAL ASSETS, NET		
	1,390,833	1,458,139
Total Assets	2,079,475	2,165,182
DEFERRED OUTFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Related	1,469,779	2,358,182
Total Assets and Deferred Outflows of Resources	\$ 3,549,254	\$ 4,523,364

See accompanying Notes to Financial Statements.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2017 AND 2016**

LIABILITIES AND NET POSITION	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 110,836	\$ 81,964
Due to County General Fund	-	142,824
Accrued Salaries, Wages and Benefits	219,636	202,610
Accrued Interest Payable	-	35,712
Accrued Compensated Absences	235,473	261,888
Current Portion of Long-Term Debt and Advances from County	<u>134,000</u>	<u>134,000</u>
Total Current Liabilities	699,945	858,998
RESIDENT FUNDS PAYABLE	20,675	27,956
OTHER POST EMPLOYMENT BENEFIT OBLIGATION	453,837	425,436
ADVANCES FROM COUNTY AND PENSION LIABILITY NET OF CURRENT PORTION		
Advances from County	164,364	298,364
Wisconsin Retirement System Pension Liability	<u>188,442</u>	<u>388,658</u>
Total Long-Term Debt and Advances from County	<u>352,806</u>	<u>687,022</u>
 Total Liabilities	 1,527,263	 1,999,412
DEFERRED INFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Related	<u>592,635</u>	<u>873,354</u>
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Net Investment in Capital Assets	1,390,833	1,458,139
Restricted by Donors	6,626	7,845
Unrestricted	<u>31,897</u>	<u>184,614</u>
Total Net Position	<u>1,429,356</u>	<u>1,650,598</u>
 Total Liabilities and Net Position	 <u>\$ 3,549,254</u>	 <u>\$ 4,523,364</u>

**POLK COUNTY HOME (GOLDEN AGE MANOR)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
OPERATING REVENUES		
Net Resident Service Revenue (Net of Provision for Bad Debt of \$22,264 in 2017 and \$9,468 in 2016)	\$ 6,657,055	\$ 6,755,820
Other Operating Revenues	61,535	31,895
Total Operating Revenues	6,718,590	6,787,715
EXPENSES		
Daily Resident Services	4,279,193	4,357,475
Special Services	697,099	707,969
General Service	1,300,523	1,348,661
Other Cost Centers	3,240	5,713
Administrative Services	1,629,776	1,532,429
Depreciation	166,824	179,808
Total Expenses	8,076,655	8,132,055
OPERATING LOSS	(1,358,065)	(1,344,340)
NON-OPERATING GAINS (LOSSES)		
Supplemental Payment Program Revenue	1,159,700	1,154,914
Interest Income	19	94
Interest Expense	-	(23,076)
Restricted and Unrestricted Contributions (Expenditures)	(1,219)	(1,884)
Net Non-Operating Gains	1,158,500	1,130,048
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE TRANSFERS	(199,565)	(214,292)
Transfers to County General Fund	(21,677)	(21,677)
CHANGE IN NET POSITION	(221,242)	(235,969)
Net Position - Beginning of Year	1,650,598	1,886,567
NET POSITION - END OF YEAR	\$ 1,429,356	\$ 1,650,598

See accompanying Notes to Financial Statements.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Residents and Third-Party Payors	\$ 6,704,183	\$ 6,678,928
Cash Paid to Employees	(3,195,158)	(3,421,753)
Cash Paid to Suppliers	(4,226,525)	(4,287,017)
Other Receipts and Payments, Net	61,535	31,895
Net Cash Used by Operating Activities	(655,965)	(997,947)
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash Received From Supplement Payment Program	1,159,700	1,154,914
Change in Cash Overdraft Funded by County	(142,824)	90,186
Transfers to County General Fund	(21,677)	(21,677)
Net Residents' Trust Funds Disbursed	(8,500)	3,605
Net Cash Provided by Non-Capital Financing Activities	986,699	1,227,028
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Paid for Acquisition of Capital Assets	(99,518)	(89,627)
Principal Paid on Advance from County	(134,000)	(109,005)
Interest on Advances from County	-	(23,076)
Principal Paid on Long-Term Notes	-	(1,779)
Interest Paid on Long-Term Notes	(35,712)	(2,083)
Net Cash Used by Capital and Related Financing Activities	(269,230)	(225,570)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	19	94
 NET INCREASE IN CASH AND CASH EQUIVALENTS	61,523	3,605
Cash and Cash Equivalents - Beginning of Year	36,801	33,196
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 98,324	\$ 36,801

See accompanying Notes to Financial Statements.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (1,358,065)	\$ (1,344,340)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operations		
Depreciation	166,824	179,808
Net Change in WRS Pension Items	407,468	275,986
Decrease (Increase) in Current Assets:		
Resident Receivables	47,324	(76,892)
Other Receivables	(196)	-
Inventories	29,303	7,369
Prepaid Expenses	3,493	(12,126)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	28,872	(26,808)
Accrued Salaries, Wages and Benefits	17,026	13,418
Accrued Compensated Absences	(26,415)	(34,609)
Other Post Employment Benefit Obligation	28,401	20,247
Net Cash Used by Operating Activities	\$ (655,965)	\$ (997,947)
 RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 71,023	\$ 1,000
Restricted Under Resident Trust Agreement	20,675	27,956
Restricted by Donors	6,626	7,845
Cash and Cash Equivalents	\$ 98,324	\$ 36,801

See accompanying Notes to Financial Statements.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 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 Services. The accounting practices therein are intended to 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 is a party to numerous transactions involving other units of Polk County. No current balances were due from and to such related parties at December 31, 2017 and 2016

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, 2017 AND 2016

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.

Resident Receivable

The Home provides an allowance for uncollectible accounts based on management's judgment. Patients are not required to provide collateral for services rendered. Payment for services is required within 10 days of receipt of invoice or claim submitted. Accounts past due more than 60 days are individually analyzed for collectability. 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, 2017 and 2016, the allowance for uncollectible accounts was \$140,000.

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

Deferred Outflows of Resources

The Home's financial statements report decreases in net position that relate to future periods as deferred outflows of resources. The Home reports deferred outflows of resources for Wisconsin Retirement System pension related items.

Deferred Inflows of Resources

The Home would report increases in net position that apply to a future period as deferred inflows of resources in a separate section of the statement of net position. The Home reports deferred inflows of resources for Wisconsin Retirement System pension related items.

POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Other Post Employment Benefits Payable

Under provisions of various employee contracts, the Home provides a retirement program for certain employees which includes health insurance benefits. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay as you go basis. The amount was actuarially determined in accordance with GASB 45.

Employee's Retirement System

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

Net Position

Net position of the Home is classified in three components. Net investment in capital assets 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 by Donors net position are non-capital net position that must be used for a particular purpose, as specified by creditors, grantors or contributors external to the Home. Restricted for Pension Plan net position are non-capital net position that must be used to pay pension benefits. Unrestricted net position are the remaining net position that do not meet the definition of invested in capital assets net of related debt or restricted net assets.

Restricted by Donors net position consist of contributions for resident and employee recreation at December 31, 2017 and 2016.

POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Services (DHS). 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 Services. Average Title XIX rates cannot exceed private pay rates. Title XIX rates are subject to retroactive adjustment.

The State of Wisconsin Department of Human Services also provides additional reimbursement to county nursing facilities through the intergovernmental transfer program based on the shortfall between a facility's Medicaid reimbursement and the cost of providing the related care. These additional settlement amounts are reflected as non-operating gains. Amounts recognized were \$1,159,700 and \$1,154,914 during the years ended December 31, 2017 and 2016, respectively.

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, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Third-Party Reimbursement Agreements (Continued)

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

	<u>2017</u>	<u>2016</u>
Total Resident Service Revenue	\$ 7,210,257	\$ 7,390,632
Contractual Adjustments		
Medicare	1,100,743	942,494
Provision for Bad Debts	22,264	9,468
Other	<u>(569,805)</u>	<u>(317,150)</u>
Total Contractual Adjustments	<u>553,202</u>	<u>634,812</u>
Net Resident Service Revenue	<u>\$ 6,657,055</u>	<u>\$ 6,755,820</u>

During the years ended December 31, 2017 and 2016, the occupancy percentages and the percentages of residents covered under the Medicare and Medicaid programs were as follows:

	<u>2017</u>	<u>2016</u>
Total Occupancy	83.2%	89.4%
Medicaid	71.7%	72.7%
Medicare	6.7%	5.4%

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, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Receivable from Residents and Their Insurance Carriers	\$ 309,247	\$ 394,882
Receivable from Medicare	138,363	65,286
Receivable from Medicaid	<u>230,373</u>	<u>265,139</u>
Total Resident Receivables	677,983	725,307
Less: Allowance for Doubtful Accounts	<u>(140,000)</u>	<u>(140,000)</u>
Resident Receivables, Net	<u>\$ 537,983</u>	<u>\$ 585,307</u>

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 County, maintains deposits at depository banks authorized by the County deposits. The bank 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 cash balances pooled with Polk County funds.

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

Deposit balances at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Deposits	<u>\$ 98,324</u>	<u>\$ 36,801</u>

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

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 71,023	\$ 1,000
Noncurrent Cash and Investments:		
Restricted Under Resident Trust Agreement	20,675	27,956
Restricted by Donors:		
Recreation Fund	1,822	2,251
Employee Trust Fund	1,562	2,115
Solarium Fund	3,242	3,479
	<u>\$ 98,324</u>	<u>\$ 36,801</u>

POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 4 CAPITAL ASSETS

Summaries of capital assets for the years ended December 31, 2017 and 2016 are as follows:

	January 1, 2017	Additions	(Transfers and Retirements)	December 31, 2017
Capital Assets				
Land	\$ 6,605	\$ -	\$ -	\$ 6,605
Land Improvements	114,663	9,794	(50,431)	74,026
Buildings	3,672,514	55,500	(134,520)	3,593,494
Fixed Equipment	921,664	17,853	-	939,517
Movable Equipment	952,454	16,371	(188,932)	779,893
Transportation Equipment	45,915	-	-	45,915
Totals	<u>5,713,815</u>	<u>99,518</u>	<u>(373,883)</u>	<u>5,439,450</u>
Accumulated Depreciation				
Land Improvements	105,005	1,042	(50,423)	55,624
Buildings	2,457,472	113,517	(111,133)	2,459,856
Fixed Equipment	784,582	24,054	(13,207)	795,429
Movable Equipment	873,501	22,041	(199,120)	696,422
Transportation Equipment	35,116	6,170	-	41,286
Totals	<u>4,255,676</u>	<u>166,824</u>	<u>(373,883)</u>	<u>4,048,617</u>
	<u>\$ 1,458,139</u>	<u>\$ (67,306)</u>	<u>\$ -</u>	<u>\$ 1,390,833</u>
	January 1, 2016	Additions	(Transfers and Retirements)	December 31, 2016
Capital Assets				
Land	\$ 6,605	\$ -	\$ -	\$ 6,605
Land Improvements	114,663	-	-	114,663
Buildings	3,655,267	17,247	-	3,672,514
Fixed Equipment	870,838	50,826	-	921,664
Movable Equipment	939,610	12,844	(8,710)	952,454
Transportation Equipment	45,915	-	-	45,915
Totals	<u>5,632,898</u>	<u>80,917</u>	<u>(8,710)</u>	<u>5,713,815</u>
Accumulated Depreciation				
Land Improvements	103,361	1,644	-	105,005
Buildings	2,345,512	111,960	-	2,457,472
Fixed Equipment	758,362	26,220	-	784,582
Movable Equipment	847,627	34,584	(8,710)	873,501
Transportation Equipment	29,716	5,400	-	35,116
Totals	<u>4,084,578</u>	<u>179,808</u>	<u>(8,710)</u>	<u>4,255,676</u>
	<u>\$ 1,548,320</u>	<u>\$ (98,891)</u>	<u>\$ -</u>	<u>\$ 1,458,139</u>

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 LONG-TERM DEBT AND ADVANCES FROM COUNTY

Long-term debt and advances from county consist of the following as of December 31, 2017 and 2016:

Advances from County

	Balance January 1, 2017	Additions	Payments	Balance December 31, 2017	Amounts Due Within One Year
\$889,910 note payable to Polk County dated 12/15/2007 due annual installments of principal and semi-annual installments of interest at 3.97% through December 2020.	\$ 432,364	\$ -	\$ (134,000)	\$ 298,364	\$ 134,000
Total Advances from County	<u>\$ 432,364</u>	<u>\$ -</u>	<u>\$ (134,000)</u>	<u>\$ 298,364</u>	<u>\$ 134,000</u>

	Balance January 1, 2016	Additions	Payments	Balance December 31, 2016	Amounts Due Within One Year
\$889,910 note payable to Polk County dated 12/15/2007 due annual installments of principal and semi-annual installments of interest at 3.97% through December 2020. (1)	\$ 541,369	\$ -	\$ (109,005)	\$ 432,364	\$ 134,000
Total Advances from County	<u>\$ 541,369</u>	<u>\$ -</u>	<u>\$ (109,005)</u>	<u>\$ 432,364</u>	<u>\$ 134,000</u>

(1) In 2015, the Home received an extension of this note payable and the payment schedule was re-amortized as a result. It was previously due December 2017 and is now due December 2020.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

Long-Term Debt

	Balance January 1, 2016	Additions	Payments	Balance December 31, 2016	Amounts Due Within One Year
Capital Lease Obligation at an imputed rate of 3.50%, collateralized by leased equipment with a cost of \$15,837.	\$ 1,779	\$ -	\$ (1,779)	\$ -	\$ -

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

<u>Year Ending December 31,</u>	<u>Advances From County</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 134,000	\$ -
2019	134,000	-
2020	30,364	-
	<u>\$ 298,364</u>	<u>\$ -</u>

Equipment Under Capital Lease Obligation

The Home acquired equipment under a capital lease obligation during the year ended December 31, 2014. The cost of the equipment acquired was \$15,837. After trade in and a down payment \$5,337 was leased over a three year period. Accumulated depreciation was \$12,669 and \$9,502 as of December 31, 2017 and 2016, respectively. Depreciation expense was \$3,167 for both the years ended December 31, 2017 and 2016.

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 55 have the option to use an amount equivalent to 50% of their accrued sick leave toward the purchase of continued health insurance. Vested sick leave earned and not taken was approximately \$60,419 and \$70,071 at December 31, 2017 and 2016, respectively, determined on the basis of current salary rates. The Home has used the 50% maximum liability for employees over the age of 55 (18 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, 2017 and 2016 was \$175,054 and \$191,817, respectively.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 7 WISCONSIN RETIREMENT SYSTEM PENSION PLAN BENEFITS

General Information About the Pension Plan

Plan Description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. 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.

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

Benefits Provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. 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 participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 7 WISCONSIN RETIREMENT SYSTEM PENSION PLAN BENEFITS (CONTINUED)

General Information About the Pension Plan (Continued)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the fiscal reporting period January 1, 2017 through December 31, 2017, the WRS recognized \$227,151 in contributions from the Home.

Contribution rates as of December 31, 2017 are:

	<u>Employee</u>	<u>Employer</u>
General	6.80%	6.80%
Executives and Elected Officials	6.80%	6.80%
Protective with Social Security	6.80%	10.60%
Protective without Social Security	6.80%	14.90%

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2006	3.0%	3.0%
2007	6.6	-
2008	(2.1)	(42.0)
2009	(1.3)	22.0
2010	(1.2)	11.0
2011	(7.0)	(7.0)
2012	(9.6)	9.0
2013	4.7	25.0
2014	2.9	2.0
2015	0.5	(5.0)

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 7 WISCONSIN RETIREMENT SYSTEM PENSION PLAN BENEFITS (CONTINUED)

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the Home reported a liability of \$188,442 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. The Home's proportion of the net pension liability was based on a projection of the Home's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2016, the County's proportion was 0.14706284 percent, which was a decrease of 0.00360723 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Home recognized pension expense of \$407,469. At December 31, 2017 and 2016 the Home reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	12/31/2017 Deferred Outflows of Resources	12/31/2017 Deferred Inflows of Resources
Differences Between Expected and Actual Experience Changes of Assumptions	\$ 71,853	\$ 592,635
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	197,024	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	938,006	-
Contributions Subsequent to the Measurement Date	35,745	-
Total	<u>\$ 1,469,779</u>	<u>\$ 592,635</u>

Description	12/31/2016 Deferred Outflows of Resources	12/31/2016 Deferred Inflows of Resources
Differences Between Expected and Actual Experience Changes of Assumptions	\$ 74,024	\$ 873,354
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	290,350	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	1,711,872	-
Contributions Subsequent to the Measurement Date	40,005	-
Total	<u>\$ 2,358,182</u>	<u>\$ 873,354</u>

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 7 WISCONSIN RETIREMENT SYSTEM PENSION PLAN BENEFITS (CONTINUED)

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$227,151 reported as deferred outflows of resources related to pensions resulting from the Home's proportionate share of contributions subsequent to the measurement date will be recognized as an addition to the net pension liability in the year ended December 31, 2018. Other amounts reported as net deferred outflows (inflows) of resources will be recognized in pension expense as follows:

<u>Year Ending December 31:</u>	<u>Pension Expense Amount</u>
2017	\$ 261,643
2018	261,643
2019	179,791
2020	(53,361)
2021	277
Thereafter	-

Actuarial Assumptions. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Frozen Entry Age
Amortization Period:	30-Year Closed
Asset Valuation Method:	5-Year Smoothed Value
Long-Term Expected Rate of Return:	7.20%
Discount Rate:	7.20%
Inflation:	2.0% to 2.7% - approximate
Salary Increases:	3.2% to 8.8% including inflation
Investment Rate of Return - Retired	5.0%
Investment Rate of Return - Active Post-Retirement	5.0%
Investment Rate of Return - Active Pre-Retirement	7.2%
Mortality:	WRS experience projected to 2017 with scale BB

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

Actuarial assumptions are based upon an experience study conducted in 2013 using experience from 2010 – 2012.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 7 WISCONSIN RETIREMENT SYSTEM PENSION PLAN BENEFITS (CONTINUED)

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Asset Class	Core Asset Allocation		Variable Asset Allocation	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	21.0%	5.3%	70.0%	5.3%
International Equity	23.0%	5.7%	30.0%	5.7%
Fixed Income	36.0%	1.7%	N/A	N/A
Inflation Sensitive Assets	20.0%	2.3%	N/A	N/A
Real Estate	7.0%	4.2%	N/A	N/A
Private Equity/Debt	7.0%	6.9%	N/A	N/A
Multi-Asset	6.0%	3.9%	N/A	N/A
Cash	-20.0%	0.9%	N/A	N/A
Totals	100%		100%	

Discount Rate. A single discount rate of 7.20 percent was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20 percent and a long term bond rate of 3.56 percent. Because of the unique structure of WRS, the 7.20 percent expected rate of return implies that a dividend of approximately 2.1 percent will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 7 WISCONSIN RETIREMENT SYSTEM PENSION PLAN BENEFITS (CONTINUED)

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Home's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Home's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the Home's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Home's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,479,696	\$ 188,442	\$ (1,575,844)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/>.

NOTE 8 OTHER POST EMPLOYMENT BENEFIT OBLIGATION

Certain employees of Polk County Home (Golden Age Manor) participate in a health insurance plan provided by Polk County. In 2008, the County implemented the requirements of a new accounting statement GASB No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*.

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The plan provides health insurance and other benefits to participating retirees who have reached the age of 55 and have 20 years of services with the County. The health insurance benefit for retirees terminates at the age of 65. The County provides benefits for retirees as required by state statutes. Active employees who retire from the County when eligible to receive a retirement benefit from the Wisconsin Retirement System (WRS) (or similar plan) and do not participate in any other coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay varying percentages of the total premium cost. As of January 1, 2016, there were 23 retirees receiving health benefits from the County's health plan, none of whom were retirees from Polk County Home (Golden Age Manor).

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 8 OTHER POST EMPLOYMENT BENEFIT OBLIGATION (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost at 2017 and 2016, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

	2017	
	County	GAM Allocation
Annual Required Contribution (ARC)	\$ 319,639	\$ 63,597
Interest on Net OPEB Obligation	74,939	14,910
Adjustment to ARC	<u>(114,430)</u>	<u>(22,768)</u>
Annual OPEB Cost	280,148	55,739
Contributions During the Year	<u>(140,287)</u>	<u>(27,912)</u>
Increase in Net OPEB Obligation	139,861	27,827
Net OPEB - Beginning of the Year	2,141,113	426,010
Net OPEB - End of the Year	<u>\$ 2,280,974</u>	<u>\$ 453,837</u>

	2016	
	County	GAM Allocation
Annual Required Contribution (ARC)	\$ 319,639	\$ 63,512
Interest on Net OPEB Obligation	69,683	13,846
Adjustment to ARC	<u>(106,404)</u>	<u>(21,142)</u>
Annual OPEB Cost	282,918	56,216
Contributions During the Year	<u>(132,750)</u>	<u>(26,377)</u>
Increase in Net OPEB Obligation	150,168	29,839
Net OPEB - Beginning of the Year	1,990,945	395,597
Net OPEB - End of the Year	<u>\$ 2,141,113</u>	<u>\$ 425,436</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the past three years were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2017	\$ 319,639	\$ 140,287	44.89%	\$ 2,280,974
December 31, 2016	319,639	132,750	41.53%	2,141,113
December 31, 2015	394,157	163,367	41.45%	1,990,945

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 8 OTHER POST EMPLOYMENT BENEFIT OBLIGATION (CONTINUED)

Funding Status

The County currently has no assets that have been irrevocably deposited in the trust for future health benefits. Therefore, the actuarial value of assets is zero.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2016	\$ -	\$ 2,298,105	\$ 2,298,105	0.00%	\$ 20,998,936	10.9%

The County has allocated the Home's portion of the other postemployment obligation based on number of the Home's employees participating in the plan compared to the total participants. Complete disclosures for the County and Home other postemployment benefit obligation can be found in the financial statements of the County.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the 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, present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the 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, consistent with the long-term perspective of the calculations.

NOTE 9 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.

REQUIRED SUPPLEMENTARY INFORMATION

**POLK COUNTY HOME (GOLDEN AGE MANOR)
 SCHEDULE OF PROPORTIONARE SHARE OF
 WISCONSIN RETIREMENT SYSTEM PENSION PLAN ASSET
 LAST TEN FISCAL YEARS***

	2015	2016	2017
County's Proportion of the Net Pension Liability (Asset)	0.15590987%	0.15067007%	0.14706284%
County's Proportionate Share of the Net Pension Liability (Asset)	\$ (3,829,573)	\$ 2,448,359	\$ 1,212,149
County's Covered Payroll	20,067,237	20,138,336	19,861,318
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	-19.08%	12.16%	6.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	102.74%	98.20%	99.12%

*The amounts presented above occurred within the Plan's fiscal year (one year behind Golden Age Manor's fiscal year).

The above information is for Polk County as a whole, including Polk County Home (Golden Age Manor), an enterprise fund of the County.

*Shown prospectively from year of implementation.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
SCHEDULE OF CONTRIBUTIONS TO
WISCONSIN RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS***

	2015	2016	2017
Contractually Required Contribution	\$ 1,429,056	\$ 1,369,334	\$ 1,465,391
Contributions in Relation to the Contractually Required Contributions	(1,429,056)	(1,369,334)	(1,465,391)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 County's Covered Payroll	 \$ 20,138,336	 \$ 19,861,318	 \$ 20,300,313
 Contributions as a Percentage of Covered Payroll	 7.10%	 6.89%	 7.22%

*The amounts presented above occurred within Golden Age Manor's fiscal year.

The above information is for Polk County as a whole, including Polk County Home (Golden Age Manor), an enterprise fund of the County.

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

Changes of Assumptions. There were no changes in the assumptions.

*Shown prospectively from year of implementation.

SUPPLEMENTARY INFORMATION

**POLK COUNTY HOME (GOLDEN AGE MANOR)
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017		Variance Positive (Negative)	2016
	Original Budget	Actual		Actual
OPERATING REVENUES:				
Resident Service Revenue:				
Bedhold Charges - Private	\$ 15,300	\$ 20,519	\$ 5,219	\$ 14,779
Bedhold Charges - Medicaid	34,680	13,912	(20,768)	27,539
SNF - Medicare	461,040	511,575	50,535	451,835
SNF - Hospice	94,860	77,829	(17,031)	93,588
SNF - HMO	155,040	154,655	(385)	119,287
ICF - I & II - Medicaid	3,612,373	3,430,589	(181,784)	3,615,730
SNF - Private	1,632,000	1,551,807	(80,193)	1,664,842
Private Pay - Insurance	129,540	91,731	(37,809)	96,196
Private Room Charges	22,440	21,947	(493)	18,375
Physical Therapy - Medicare Part A	252,960	274,479	21,519	247,123
Physical Therapy - Medicare Part B	83,640	46,980	(36,660)	81,765
Physical Therapy - Private Pay/Insurance	71,400	43,551	(27,849)	60,878
Physical Therapy - Medical Assistance	8,160	3,211	(4,949)	5,116
Occupational Therapy - Medicare Part A	315,180	357,980	42,800	306,367
Occupational Therapy - Medicare Part B	127,500	101,079	(26,421)	114,944
Occupational Therapy - Private Pay/Insurance	64,260	26,330	(37,930)	56,397
Occupational Therapy - Medical Assistance	10,200	6,117	(4,083)	7,089
Speech Therapy - Medicare Part A	66,300	99,753	33,453	62,804
Speech Therapy - Medicare Part B	67,320	52,449	(14,871)	51,392
Speech Therapy - Private Insurance	20,400	9,780	(10,620)	21,076
Speech Therapy - Medical Assistance	3,570	1,312	(2,258)	3,076
Medical Surgical Supplies - Part A	40,800	49,097	8,297	39,647
Medical Surgical Supplies - Other	20,400	270	(20,130)	17,571
Pharmacy - Medicare Part A	158,100	177,227	19,127	155,020
Pharmacy - Private Pay/Insurance	6,630	7,432	802	3,945
Billable Medical Supplies - Private Pay	9,180	10,789	1,609	9,310
Laboratory - Medicare Part A	24,480	42,321	17,841	23,973
Laboratory - Medicare Part B	15,300	17,958	2,658	14,443
Laboratory - Private Insurance	3,060	2,282	(778)	2,693
Laboratory - Medical Assistance	516	344	(172)	376
X-Ray - Medicare Part A	3,060	3,510	450	3,456
Psychotherapy Part A	-	1,442	1,442	-
Contractual Adjustments	(532,287)	(530,938)	1,349	(625,344)
Provision for Bad Debt	(61,200)	(22,264)	38,936	(9,468)
Total Resident Service Revenue	6,936,202	6,657,055	(279,147)	6,755,820

**POLK COUNTY HOME (GOLDEN AGE MANOR)
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017		Variance Positive (Negative)	2016
	Original Budget	Actual		Actual
OPERATING REVENUES (CONTINUED):				
Other Operating Revenues:				
Transportation:				
Medicaid	\$ 7,656	\$ 4,735	\$ (2,921)	\$ 6,791
Private	2,550	2,257	(293)	2,229
Dietary:				
Meals Sold	8,676	8,629	(47)	8,653
Craft Sales	900	75	(825)	959
Miscellaneous Services:				
Level I Screening	2,304	5,160	2,856	1,140
Other	7,608	37,809	30,201	11,026
Revenue for Nurses Aide Training	996	2,870	1,874	1,097
Total Other Operating Revenues	30,690	61,535	30,845	31,895
Total Operating Revenues	6,966,892	6,718,590	(248,302)	6,787,715
OPERATING EXPENSES:				
Daily Resident Services:				
Registered Nurses:				
Salaries and Wages	816,900	868,602	(51,702)	816,374
Fringe Benefits	273,084	299,815	(26,731)	263,108
Pool Help	11,796	6,048	5,748	8,109
Licensed Practical Nurses:				
Salaries and Wages	533,364	467,401	65,963	512,694
Fringe Benefits	157,380	155,462	1,918	193,123
Pool Help	16,500	5,181	11,319	16,581
Nurses Aides:				
Salaries and Wages	1,821,504	1,553,899	267,605	1,651,794
Fringe Benefits	626,112	659,493	(33,381)	629,959
Pool Help	86,004	47,369	38,635	86,818
Purchased Services	1,020	4,120	(3,100)	-
Supplies and Expenses	160,428	178,088	(17,660)	154,085
Over The Counter Drugs	25,176	33,715	(8,539)	24,830
Total Daily Resident Services	4,529,268	4,279,193	250,075	4,357,475

**POLK COUNTY HOME (GOLDEN AGE MANOR)
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017		Variance Positive (Negative)	2016
	Original Budget	Actual		Actual
OPERATING EXPENSES (CONTINUED):				
Special Services:				
Laboratory:				
Purchased Services	\$ 11,160	\$ 22,742	\$ (11,582)	\$ 11,741
Radiology:				
Purchased Services	2,340	5,307	(2,967)	2,343
Pharmacy:				
Supplies and Expenses	113,268	105,733	7,535	111,499
Purchased Services	7,512	8,594	(1,082)	7,348
Physical Therapy:				
Purchased Services	105,960	92,649	13,311	104,477
Occupational Services:				
Purchased Services	136,536	139,559	(3,023)	135,557
Medical Director Fees:				
Purchased Services	5,484	6,600	(1,116)	5,400
Social Services:				
Salaries and Wages	83,244	81,144	2,100	80,081
Fringe Benefits	32,532	32,762	(230)	30,337
Supplies and Expenses	264	933	(669)	-
Recreation Activities:				
Salaries and Wages	125,544	100,094	25,450	113,366
Fringe Benefits	38,472	34,610	3,862	36,516
Supplies and Expenses	6,096	5,519	577	5,693
Speech Therapy:				
Purchased Services	55,368	60,081	(4,713)	54,525
Infusion Therapy:				
Purchased Services	6,816	772	6,044	9,086
Total Special Services	<u>730,596</u>	<u>697,099</u>	<u>33,497</u>	<u>707,969</u>
General Services:				
Dietary:				
Salaries and Wages	361,740	317,503	44,237	333,194
Fringe Benefits	117,228	103,764	13,464	96,330
Supplies and Expenses	33,192	26,929	6,263	30,145
Food	266,940	268,397	(1,457)	266,871
Maintenance:				
Salaries and Wages	81,864	89,160	(7,296)	82,663
Fringe Benefits	38,339	30,363	7,976	30,629
Purchased Services	15,576	12,619	2,957	23,809
Supplies and Expenses	45,648	36,983	8,665	49,372
Housekeeping:				
Salaries and Wages	181,560	151,983	29,577	143,315
Fringe Benefits	53,196	36,801	16,395	50,538
Purchased Services	3,840	4,049	(209)	2,559
Supplies and Expenses	35,544	36,600	(1,056)	39,894

**POLK COUNTY HOME (GOLDEN AGE MANOR)
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017		Variance Positive (Negative)	2016
	Original Budget	Actual		Actual
OPERATING EXPENSES (CONTINUED):				
General Services (Continued):				
Laundry and Linen:				
Salaries and Wages	\$ 105,540	\$ 100,765	\$ 4,775	\$ 106,357
Fringe Benefits	36,228	49,660	(13,432)	35,243
Supplies and Expenses	11,988	15,295	(3,307)	12,969
Transportation:				
Salaries and Wages	27,084	11,243	15,841	25,357
Fringe Benefits	17,436	6,281	11,155	17,474
Supplies and Expenses	2,148	2,128	20	1,942
Total General Services	<u>1,435,091</u>	<u>1,300,523</u>	<u>134,568</u>	<u>1,348,661</u>
Other Cost Centers:				
Evergreen Assisted Living:				
Supplies and Expenses	-	3,240	(3,240)	5,713
Total Other Cost Centers	<u>-</u>	<u>3,240</u>	<u>(3,240)</u>	<u>5,713</u>
Administrative Services:				
Fiscal/Accounting:				
Salaries and Wages	174,168	163,979	10,189	167,516
Fringe Benefits	100,236	85,881	14,355	97,918
Purchased Services	86,225	33,542	52,683	33,987
Supplies and Expenses	73,608	68,462	5,146	63,802
Medical Records:				
Salaries and Wages	82,524	85,438	(2,914)	86,571
Fringe Benefits	52,080	53,337	(1,257)	53,230
Supplies and Expenses	456	2,293	(1,837)	189
General Administration:				
Salaries and Wages	89,808	97,828	(8,020)	90,207
Fringe Benefits	15,204	15,552	(348)	11,432
Legal Fees	756	1,085	(329)	742
Accounting Fees	16,236	14,850	1,386	15,875
Telephone	10,176	9,412	764	12,235
Postage	4,464	2,409	2,055	4,418
Subscriptions and Dues	7,404	7,465	(61)	7,309
Bed Assessment Fee	232,500	232,560	(60)	232,560
Licenses	1,728	784	944	1,676
Advertising Employment	20,808	17,805	3,003	20,549
Advertising Promotion	1,068	2,673	(1,605)	3,563
Administrative Travel	3,684	5,141	(1,457)	6,228
Administrative Services	1,680	1,321	359	-
Supplies and Expenses	3,852	27,715	(23,863)	3,793
Continuing Education and Meetings	-	-	-	11,576
WRS Pension Expenses	-	407,468	(407,468)	275,986

**POLK COUNTY HOME (GOLDEN AGE MANOR)
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017		Variance Positive (Negative)	2016
	Original Budget	Actual		Actual
OPERATING EXPENSES (CONTINUED)				
Administrative Services (Continued):				
Fuel - Wisconsin Gas Company	\$ 31,668	\$ 31,527	\$ 141	\$ 31,257
Fuel for Generator	2,748	374	2,374	2,061
Electricity	56,640	54,373	2,267	55,782
Police and Fire Protection Fees	2,436	2,404	32	2,439
Water and Sewer	25,380	18,106	7,274	24,965
Penalties and Fees	33,696	5,801	27,895	33,215
Insurance:				
Property Insurance	5,520	6,390	(870)	6,145
General Liability Insurance	48,396	39,942	8,454	36,459
Worker's Compensation Insurance	126,000	133,859	(7,859)	138,744
Total Administrative Services	<u>1,311,149</u>	<u>1,629,776</u>	<u>(318,627)</u>	<u>1,532,429</u>
Depreciation:				
Land Improvements	2,400	1,050	1,350	1,644
Buildings	120,000	136,904	(16,904)	111,960
Fixed Equipment	32,400	10,847	21,553	26,220
Major Moveable Equipment	39,804	11,853	27,951	34,584
Vehicles	5,400	6,170	(770)	5,400
Total Depreciation	<u>200,004</u>	<u>166,824</u>	<u>33,180</u>	<u>179,808</u>
Total Operating Expenses	<u>8,206,108</u>	<u>8,076,655</u>	<u>129,453</u>	<u>8,132,055</u>
OPERATING LOSS	(1,239,216)	(1,358,065)	(118,849)	(1,344,340)
NONOPERATING GAINS (LOSSES):				
Supplemental Payment Revenue	1,395,276	1,159,700	(235,576)	1,154,914
Interest Income - General	-	19	19	94
Interest Expense - General	(25,380)	-	25,380	(23,076)
Contributions - General	-	(1,219)	(1,219)	(1,884)
Total Nonoperating Gains	<u>1,369,896</u>	<u>1,158,500</u>	<u>(211,396)</u>	<u>1,130,048</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE TRANSFERS, CAPITAL GRANTS, AND CONTRIBUTIONS	130,680	(199,565)	(330,245)	(214,292)
Transfers to County General Fund	<u>(130,680)</u>	<u>(21,677)</u>	<u>(109,003)</u>	<u>(21,677)</u>
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ (221,242)</u>	<u>\$ (439,248)</u>	<u>\$ (235,969)</u>



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INDEPENDENT AUDITORS' 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, in accordance with the 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 Controller General of the United States, the financial statements of Golden Age Manor, which comprise the statement of net position as of December 31, 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 22, 2018.

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 (internal control) 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 Polk County Home (Golden Age Manor's) internal control. Accordingly, we do not express an opinion on the effectiveness of Polk County Home (Golden Age Manor's) internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as 2017-001 and 2017-002 to be material weaknesses.

Board of Directors
Polk County Home (Golden Age Manor)

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*.

Polk County Home (Golden Age Manor's) Response to Findings

Polk County Home (Golden Age Manor's) response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Polk County Home (Golden Age Manor's) response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Eau Claire, Wisconsin
June 22, 2018

**POLK COUNTY HOME (GOLDEN AGE MANOR)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017**

FINDING: 2017-001

ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Criteria:

The Home is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including related disclosures, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).

Condition:

The Home does not have an internal control policy in place over annual financial reporting that would enable management to conclude its annual financial statements and related footnote disclosures are complete and presented in accordance with GAAP.

Context:

The Home has made the decision due to cost and other considerations to outsource the preparation of the annual financial statements including footnote disclosures.

Cause:

The Home relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have designated an individual with suitable skill, knowledge, or experience to oversee their preparation and have reviewed, approved and accepted responsibility for the annual financial statements and the related footnote disclosures.

Effect:

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.

Recommendation:

The Home should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

FINDING: 2017-002

MATERIAL AUDIT ADJUSTMENTS

- Criteria:** The Home should have controls in place to prevent or detect a material misstatement in the financial statements in a timely manner.
- Condition:** The audit firm proposed and the Home posted to its general ledger accounts journal entries for correcting certain misstatements.
- Context:** The Home has informed us that they will continue to rely upon the audit firm to propose such audit adjustments as are necessary to adjust accounts in accordance with Generally Accepted Accounting Principles (GAAP). Management will review and approve those entries prior to recording them.
- Cause:** The Home has not established controls to ensure that all accounts are adjusted to their appropriate year end balances in accordance with GAAP.
- Effect:** The financial statements of the Home may include inaccurate information not detected or prevented by Home staff.
- Recommendation:** The Home should continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.