



Polk County Home (Golden Age Manor)

2016 Audit Results and
Report to the Board of Health and Human Services

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Governance Communication

Area	Comments
<p>Our responsibility under Generally Accepted Auditing Standards</p>	<ul style="list-style-type: none"> • Express an opinion on the fair presentation of the financial statements in conformity with GAAP • Plan and perform the audit to obtain reasonable, not absolute, assurance that the financial statements are free of material misstatement • Evaluate internal control over financial reporting <ul style="list-style-type: none"> • Determine the nature, timing, and extent of audit procedures based on risk assessments and our evaluation of internal control • Utilize a risk based audit approach • Communicate significant matters to appropriate parties
<p>Planned scope and timing of the audit</p>	<ul style="list-style-type: none"> • Performed the audit according to the planned scope and timing previously communicated
<p>Other information in documents containing audited financial statements</p>	<ul style="list-style-type: none"> • Financial statements may only be used in their entirety • Our approval is required to use our audit report in a client prepared document • We have no responsibility to perform procedures beyond those related to the financial statements.



Governance Communication (cont'd)

Area	Comments
Significant accounting policies	<ul style="list-style-type: none"> • Management is responsible for accounting policies • Outlined in Note 1 to the financial statements • Adopted GASB Statement No. 68 <i>Accounting and Financial Reporting for Pensions</i> and the related GASB Statement No. 71 <i>Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68</i>
Significant accounting estimates	<ul style="list-style-type: none"> • Contractual allowances, allowance for bad debts, third-party payor settlement estimates, actuarial assumptions used for other postemployment benefits payable and the Wisconsin Retirement System pension related items • Determined based on management’s knowledge and experience • No indicators of management bias • Estimates are reasonable • Estimate uncertainty disclosed in the financial statements
Significant disclosures	<ul style="list-style-type: none"> • No sensitive disclosures • No significant risks, exposures, or uncertainties • No unusual transactions • Disclosures are neutral, consistent, and clear

Governance Communication *(cont'd)*

Area	Comments
Corrected and uncorrected misstatements	<ul style="list-style-type: none"> • 16 proposed journal entries (decreased net income \$50k) • No passed adjustments
Management representation	<ul style="list-style-type: none"> • Management provided a management representation letter dated April 25, 2017.
Other	<ul style="list-style-type: none"> • No difficulties encountered in performing the audit • No issues discussed prior to retention as independent auditors • No disagreements with management regarding accounting, reporting, or auditing matters • No consultations with other independent accountants • No other findings or issues were discussed with, or communicated to, management
Supplemental Information	<ul style="list-style-type: none"> • Supplemental information accompanying audited financial statements is presented for additional analysis, is not a required part of the audited financial statements, and is responsibility of management.



Internal Control Communications

Purpose

- Express an opinion on the financial statements, not on the effectiveness of internal controls.

Material Weakness

- Reasonable possibility that a material misstatement would not be prevented, or detected and corrected on a timely basis.

Significant Deficiencies

- Less significant than a material weakness, yet important enough to merit the attention of governance.



Internal Control Communications (con't)

Material Weaknesses (Specific findings)

- Corrected Financial Statement Misstatements
- Annual Financial reporting Under Generally Accepted Accounting Principles (GAAP)



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Financial Graphs and Ratios



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Financial Graphs and Ratios Sources of Information

- **“31st Skilled Nursing Facility Cost Comparison” (CliftonLarsonAllen)** ← 2013-2015
 - Report based upon 2015 data – Midwest Senior Living organizations
- **Polk County Home (Golden Age manor)** ← 2013-2016
 - Operates a 114-bed licensed nursing facility



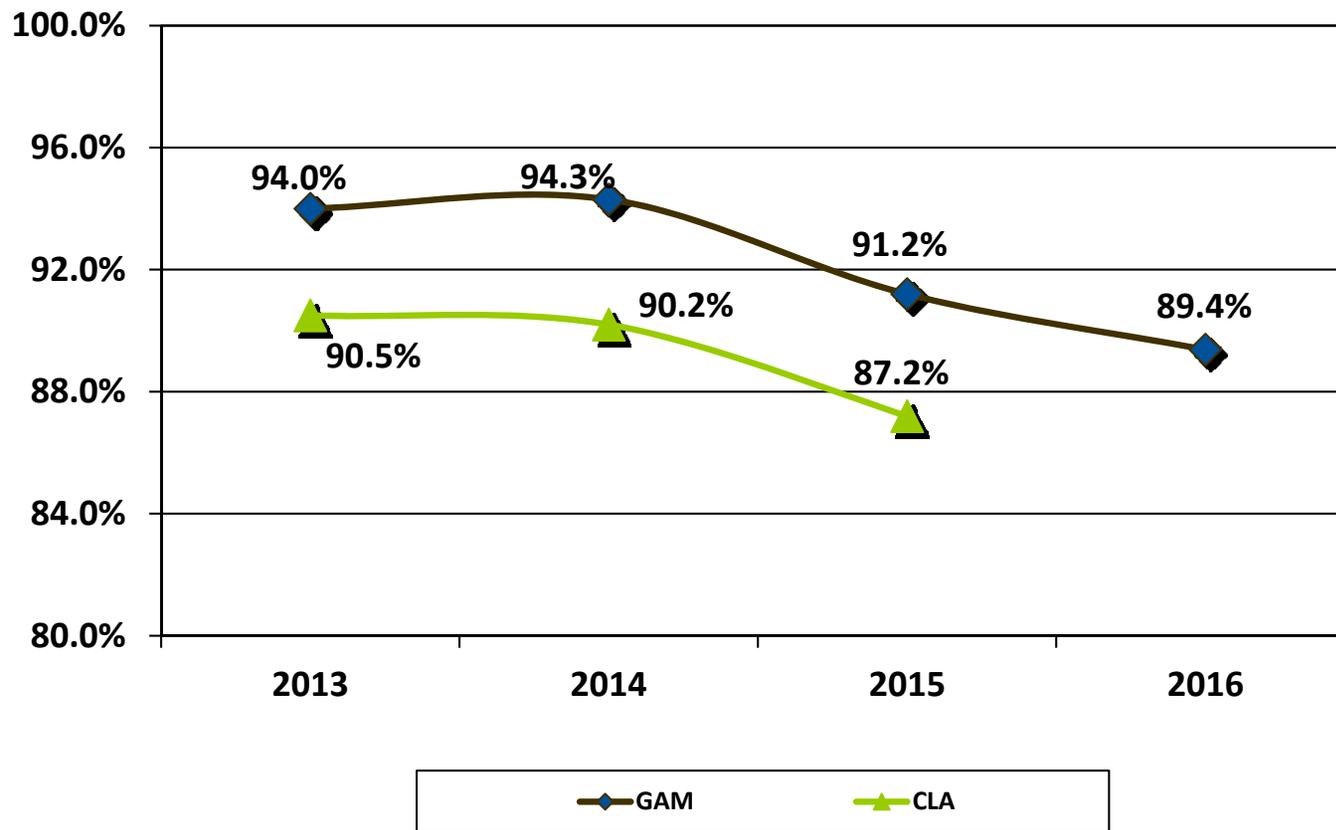
Polk County Home (Golden Age Manor)

Financial Indicators - Other
Exhibit 1

Occupancy Percentage

Comments:

This graph depicts the annual occupancy of the skilled nursing facility.



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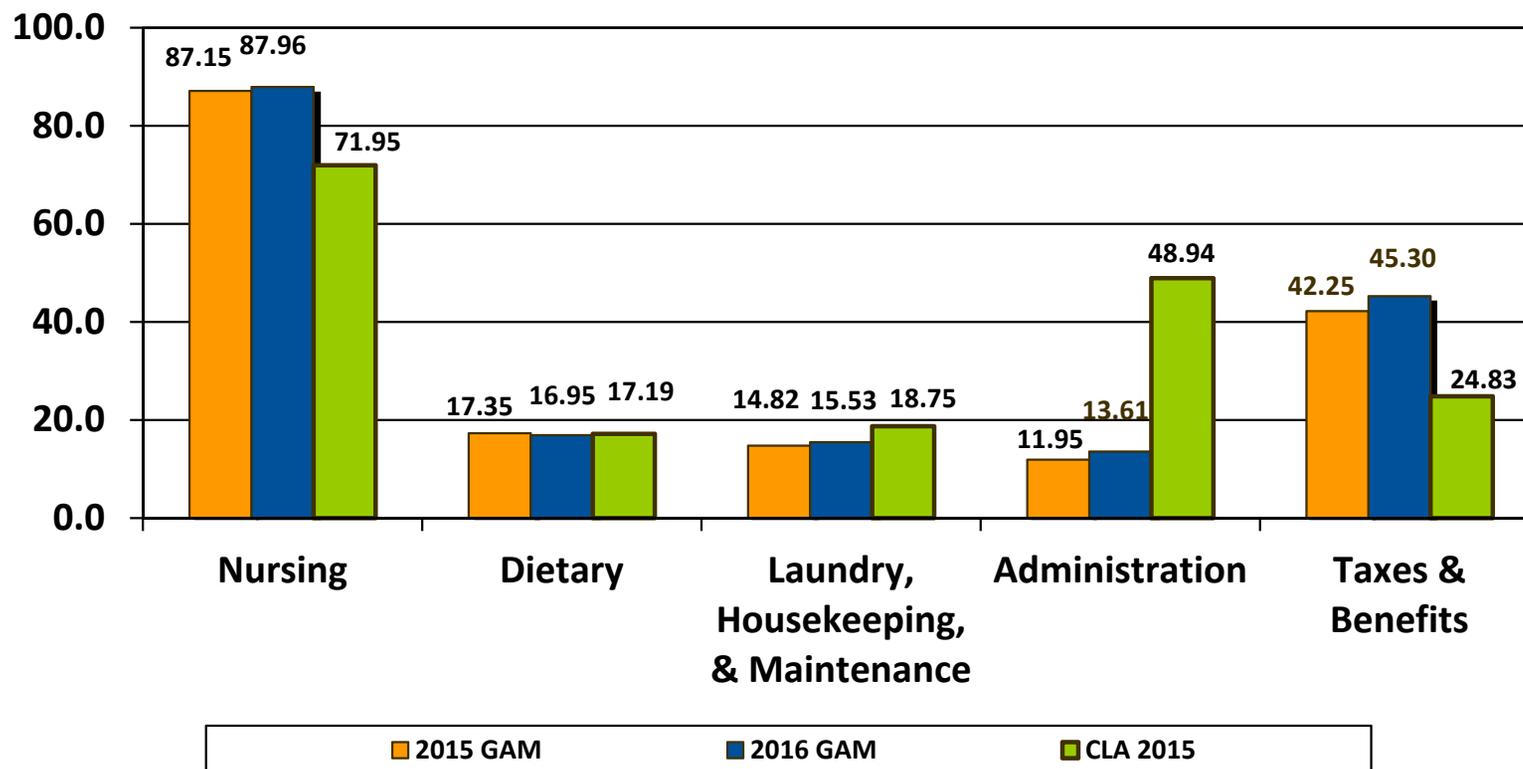
Financial Indicators - Other

Exhibit 2

Cost Per Day

Comments:

This graph shows the cost per day by department. Days were about 37,200 in 2016 and 37,900 in 2015. Taxes and benefits have their own category.



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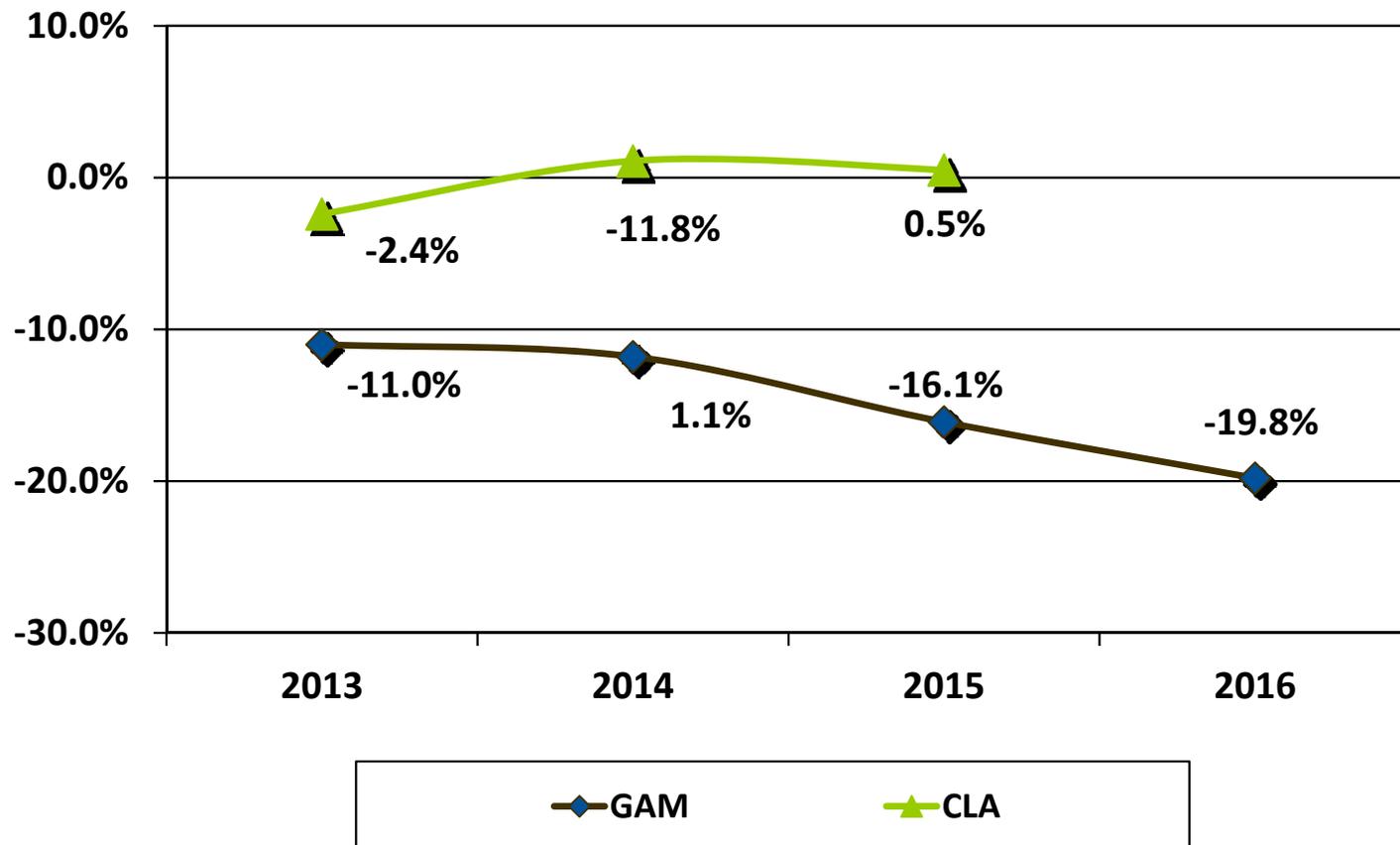
Financial Indicators - Profitability

Exhibit 3

Operating Margin

Comments:

This ratio is the excess of operating revenues over operating expenses as a percentage of total operating revenues. (The ratio excludes such things as supplemental payment revenue and tax revenue).



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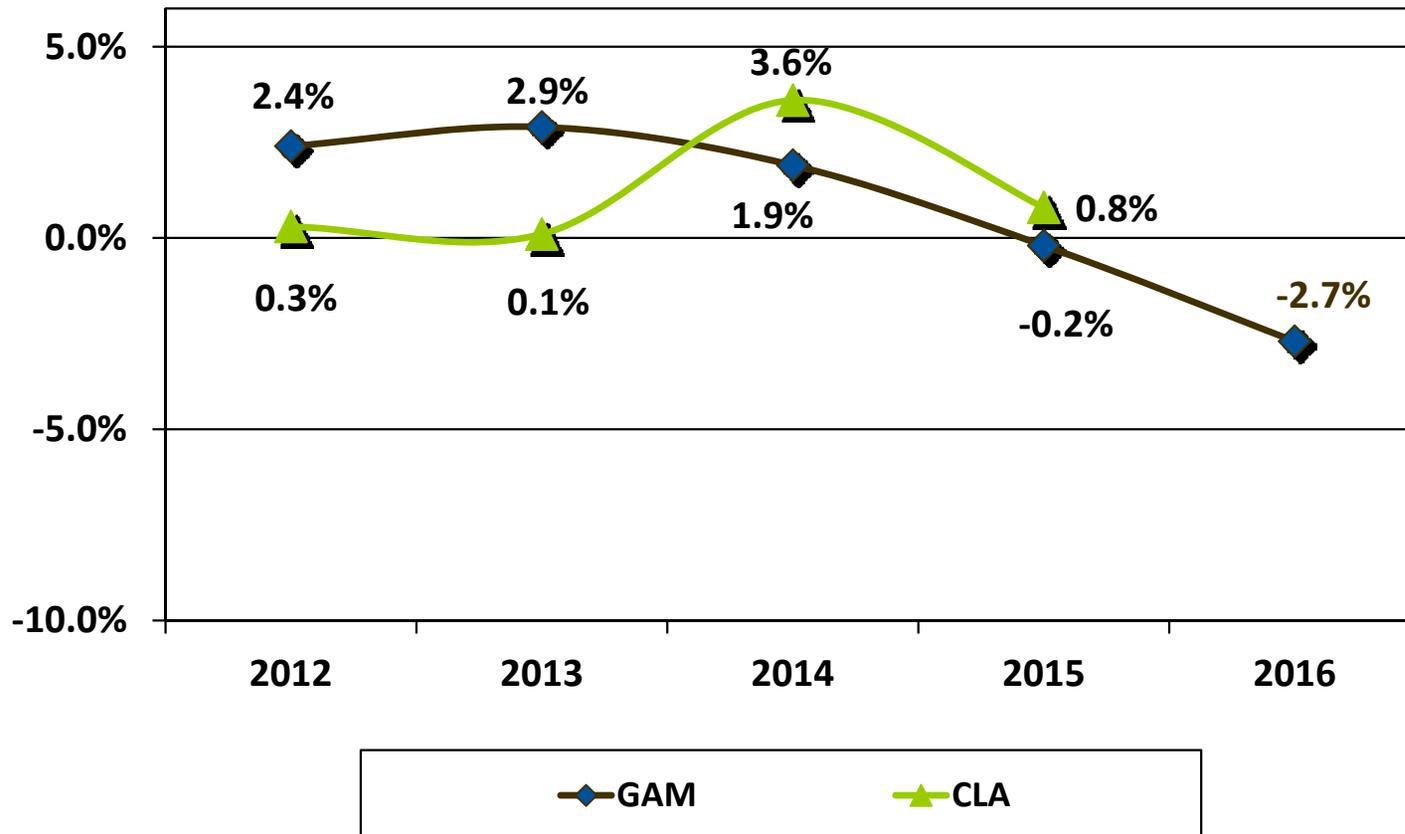
Financial Indicators - Profitability

Exhibit 4

Net Margin

Comments:

This ratio is the excess of revenues over expenses as a percentage of total revenues. Capital assets transfers from the County are excluded.



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Financial Indicators - Liquidity

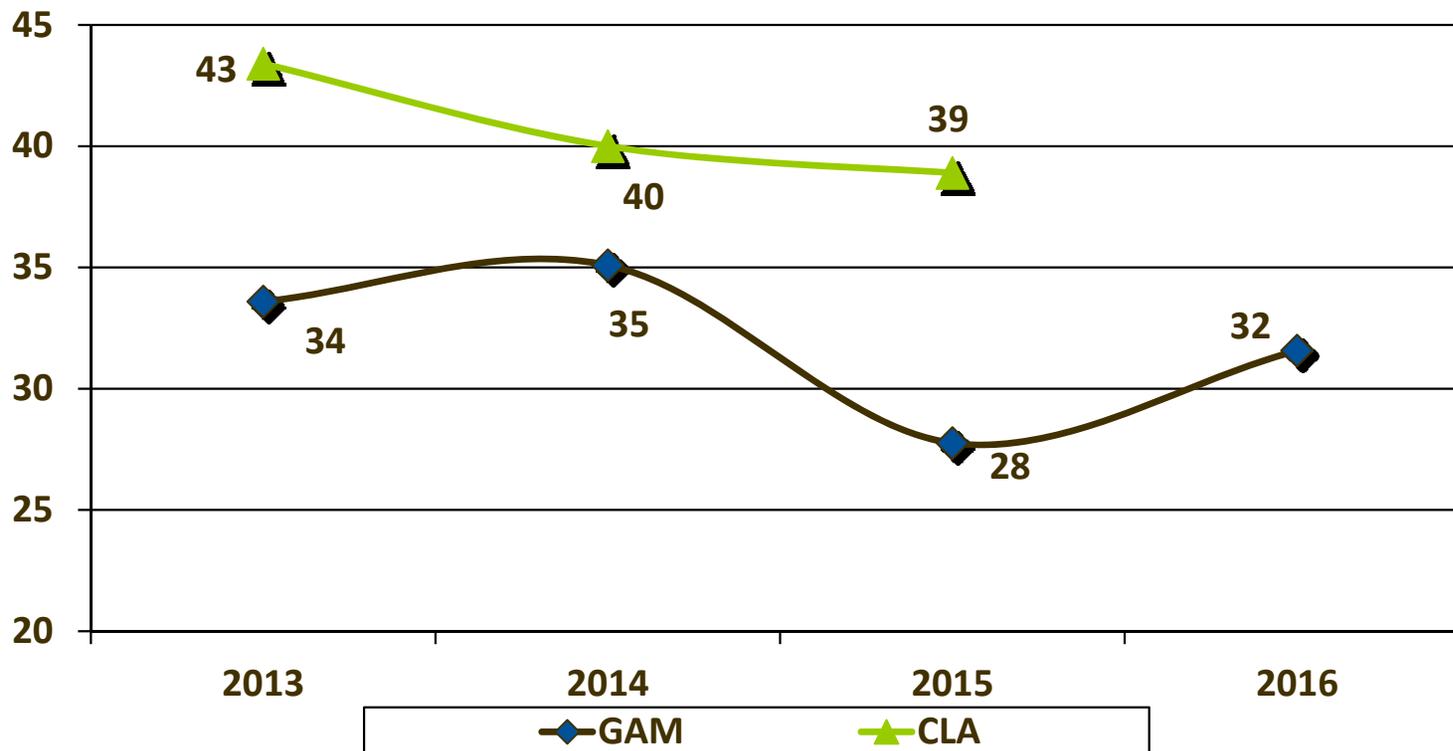
Exhibit 5

Net Days Revenue in Accounts Receivable

Comments:

Days in resident accounts receivable is defined as the average time that receivables are outstanding, or the average collection period. A low value is desirable for management of receivables and cash flow.

Increase is due to large accounts receivable write-offs in 2015 (\$112k) and consistent occupancy.



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Industry Trends



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Strategic Directions of Many Senior Living Providers

- Adopting New Payment Streams: reducing dependency on gov't sources
- What is happening in their market: New competitors and new products
- Service revenue growth and geographic dispersion
- Diversification: appropriate type and level of diversification
- Developing new models of care delivery: without losing personal touch
- Effective leadership and governance in time of rapid change
- Technology solutions: predictive and treatment oriented
- Measuring What We Do: effectively telling their story
- Innovation: appropriate investments and responses
- Workforce and succession



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