

POLK COUNTY HOME (GOLDEN AGE MANOR)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2018 AND 2017

**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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of a Matter

Change in Accounting Principle

As discussed in Note 10 to the financial statements, the Golden Age Manor restated beginning net position for the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our auditor's opinion was not modified with respect to the restatement.

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.

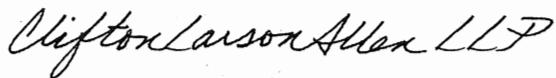
Supplementary Information

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 28, 2019 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 28, 2019

**POLK COUNTY HOME (GOLDEN AGE MANOR)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017. Please read it in conjunction with Polk County Home (Golden Age Manor)'s financial statements.

FINANCIAL HIGHLIGHTS

- The Home's net position decreased by \$221,242 and increased by \$201,354 in 2017 and 2018, respectively.
- For the years ended December 31, 2017 and 2018 there was a deficit of expenses over revenue before capital contributions and transfers to the County of \$199,565 and an excess of \$223,031, respectively.
- The Home experienced a loss from operations of \$1,358,065 in fiscal 2017 and a loss from operations of \$1,107,393 was experienced in 2018.
- Operating revenues decreased by 4.73% from \$6,718,590 in fiscal 2017 to \$6,400,752 in 2018. Operating expenses decreased by 7.04% over the same period, from \$8,076,655 to \$7,508,145.

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, 2018 AND 2017**

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

	2018	2017	2016
Assets and Deferred Outflows of Resources:			
Current Assets	\$ 870,172	\$ 661,341	\$ 671,242
Restricted Assets	674,042	27,301	35,801
Capital Assets, Net	1,377,432	1,390,833	1,458,139
Deferred Outflows of Resources	1,224,678	1,469,779	2,358,182
Total Assets and Deferred Outflows of Resources	\$ 4,146,324	\$ 3,549,254	\$ 4,523,364
Liabilities and Deferred Inflows of Resources:			
Due to County General Fund	\$ -	\$ -	\$ 142,824
Other Current Liabilities	693,808	699,945	716,174
Resident Funds Payable	16,697	20,675	27,956
Other Post Employment Benefit Obligation	366,791	453,837	425,436
Long-Term Debt	30,364	352,806	687,022
Deferred Inflows of Resources	1,281,939	592,635	873,354
Total Liabilities and Deferred Inflows of Resources	2,389,599	2,119,898	2,872,766
Net Position:			
Invested in Capital Assets Net of Related Debt	1,377,432	1,390,833	1,458,139
Restricted by Donors	6,190	6,626	7,845
Restricted for Pension Plan	651,155	-	-
Unrestricted	(278,052)	31,897	184,614
Total Net Position	1,756,725	1,429,356	1,650,598
Total Liabilities and Net Position	\$ 4,146,324	\$ 3,549,254	\$ 4,523,364

A significant component of the Home's assets is its net accounts receivable from residents and third-party payors. This balance increased 13.9% from \$537,983 in fiscal 2017 to \$612,720 in 2018. Net resident revenues decreased by 4.33%, due to a decrease in occupancy.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018 AND 2017**

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

	2018	2017	2016
Net Resident Service Revenue	\$ 6,368,764	\$ 6,657,055	\$ 6,755,820
Other Operating Revenue	31,988	61,535	31,895
Total Revenue	<u>6,400,752</u>	<u>6,718,590</u>	<u>6,787,715</u>
Operating Expenses			
Daily Resident Services	4,080,125	4,279,193	4,357,475
Special Services	672,586	697,099	707,969
General Service	1,287,914	1,300,523	1,348,661
Other Cost Centers	-	3,240	5,713
Administrative Services	1,293,896	1,629,776	1,532,429
Depreciation	173,624	166,824	179,808
Total Expenses	<u>7,508,145</u>	<u>8,076,655</u>	<u>8,132,055</u>
Operating Loss	(1,107,393)	(1,358,065)	(1,344,340)
Non-Operating Revenues	<u>1,330,424</u>	<u>1,158,500</u>	<u>1,130,048</u>
Excess (Deficit) of Revenues over Expenses Before Transfers	223,031	(199,565)	(214,292)
Transfers to County General Fund	(21,677)	(21,677)	(21,677)
Increase (Decrease) in Net Position	<u>201,354</u>	<u>(221,242)</u>	<u>(235,969)</u>
Net Position, Beginning of Year	<u>1,555,371</u>	<u>1,650,598</u>	<u>1,886,567</u>
Net Position, End of Year	<u>\$ 1,756,725</u>	<u>\$ 1,429,356</u>	<u>\$ 1,650,598</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 2017 was 83.2% and fiscal 2018 was 78.8%. Medicare utilization increased from 6.7% in 2017 to 7.6% in 2018.

As noted previously, Polk County Home (Golden Age Manor's) operating expenses decreased \$568,510 or 7.0% from fiscal 2017 to 2018. The primary components of the Home's expenses are noted below:

- Approximately 54% of the Home's expenses are employee wages. Due to changes in census, employee work hours continue to be evaluated. Wage expenses for 2017 were \$4,147,637 as compared to \$4,057,320 in 2018. 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, 2018 AND 2017**

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 \$1,330,847 and \$1,159,700 for the years ended December 31, 2018 and 2017.

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 \$864,246 in fiscal year 2018 and \$655,965 in fiscal year 2017.

CAPITAL ASSET AND NON-OPERATING ADMINISTRATION

As of December 31, 2018, the Home had \$1,377,432 invested in capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statements. During fiscal years ended December 31, 2018 and 2017 the Home purchased and leased new capital assets of \$160,249 and \$99,518, respectively.

LONG-TERM DEBT

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

Table 3: Long-Term Debt

	2018	2017	2016
Capital Lease Obligation	\$ -	\$ -	\$ 1,779
Advances from County	155,364	298,364	541,369
Total Long-Term Debt	<u>\$ 155,364</u>	<u>\$ 298,364</u>	<u>\$ 543,148</u>

ECONOMIC FACTORS

Polk County Home (Golden Age Manor) Board and management considered many factors when setting the fiscal year 2018 budget. Of primary importance in setting the 2018 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, 2018 AND 2017**

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 212,737	\$ 71,023
Resident Receivables, Less Allowance for Uncollectible Accounts of \$115,000 in 2018 and \$140,000 in 2017.	612,720	537,983
Other Receivables	-	196
Inventories	14,533	16,378
Prepaid Expenses	30,182	35,761
Total Current Assets	870,172	661,341
RESTRICTED ASSETS		
Restricted Under Resident Trust Agreement	16,697	20,675
Restricted by Donors	6,190	6,626
Wisconsin Retirement System Pension Asset	651,155	-
Total Restricted Assets	674,042	27,301
CAPITAL ASSETS, NET	1,377,432	1,390,833
Total Assets	2,921,646	2,079,475
DEFERRED OUTFLOWS OF RESOURCES		
Other Post Employment Benefit Obligation	19,326	-
Wisconsin Retirement System Pension Related	1,205,352	1,469,779
Total Deferred Outflows of Resources	1,224,678	1,469,779
Total Assets and Deferred Outflows of Resources	\$ 4,146,324	\$ 3,549,254

See accompanying Notes to Financial Statements.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2018 AND 2017**

	2018	2017
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 105,134	\$ 110,836
Accrued Salaries, Wages and Benefits	225,250	219,636
Accrued Compensated Absences	238,424	235,473
Current Portion of Long-Term Debt and Advances from County	125,000	134,000
Total Current Liabilities	693,808	699,945
RESIDENT FUNDS PAYABLE	16,697	20,675
OTHER POST EMPLOYMENT BENEFIT OBLIGATION	366,791	453,837
ADVANCES FROM COUNTY AND PENSION LIABILITY NET OF CURRENT PORTION		
Advances from County	30,364	164,364
Wisconsin Retirement System Pension Liability	-	188,442
Total Long-Term Debt and Advances from County	30,364	352,806
Total Liabilities	1,107,660	1,527,263
DEFERRED INFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Related	1,281,939	592,635
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Net Investment in Capital Assets	1,377,432	1,390,833
Restricted by Donors	6,190	6,626
Restricted for Pension Asset	651,155	-
Unrestricted	(278,052)	31,897
Total Net Position	1,756,725	1,429,356
Total Liabilities and Net Position	\$ 4,146,324	\$ 3,549,254

**POLK COUNTY HOME (GOLDEN AGE MANOR)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
OPERATING REVENUES		
Net Resident Service Revenue (Net of Provision for Bad Debt of \$76,780 in 2018 and \$21,673 in 2017)	\$ 6,368,764	\$ 6,657,055
Other Operating Revenues	31,988	61,535
Total Operating Revenues	6,400,752	6,718,590
EXPENSES		
Daily Resident Services	4,080,125	4,279,193
Special Services	672,586	697,099
General Service	1,287,914	1,300,523
Other Cost Centers	-	3,240
Administrative Services	1,293,896	1,629,776
Depreciation	173,624	166,824
Total Expenses	7,508,145	8,076,655
OPERATING LOSS	(1,107,393)	(1,358,065)
NON-OPERATING GAINS (LOSSES)		
Supplemental Payment Program Revenue	1,330,847	1,159,700
Interest Income	13	19
Restricted and Unrestricted Contributions (Expenditures)	(436)	(1,219)
Net Non-Operating Gains	1,330,424	1,158,500
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE TRANSFERS	223,031	(199,565)
Transfers to County General Fund	(21,677)	(21,677)
CHANGE IN NET POSITION	201,354	(221,242)
Net Position - Beginning of Year	1,429,356	1,650,598
Prior Period Audit Adjustment	126,015	-
Net Position - Beginning of Year	1,555,371	1,650,598
NET POSITION - END OF YEAR	\$ 1,756,725	\$ 1,429,356

See accompanying Notes to Financial Statements.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Residents and Third-Party Payors	\$ 6,294,223	\$ 6,704,183
Cash Paid to Employees	(3,302,776)	(3,195,158)
Cash Paid to Suppliers	(3,887,681)	(4,226,525)
Other Receipts and Payments, Net	31,988	61,535
Net Cash Used by Operating Activities	(864,246)	(655,965)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash Received From Supplement Payment Program	1,330,847	1,159,700
Change in Cash Overdraft Funded by County	-	(142,824)
Transfers to County General Fund	(21,677)	(21,677)
Net Residents' Trust Funds Disbursed	(4,414)	(8,500)
Net Cash Provided by Non-Capital Financing Activities	1,304,756	986,699
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Paid for Acquisition of Capital Assets	(160,223)	(99,518)
Principal Paid on Advance from County	(143,000)	(134,000)
Interest Paid on Long-Term Notes	-	(35,712)
Net Cash Used by Capital and Related Financing Activities	(303,223)	(269,230)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	13	19
NET INCREASE IN CASH AND CASH EQUIVALENTS	137,300	61,523
Cash and Cash Equivalents - Beginning of Year	98,324	36,801
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 235,624	\$ 98,324

See accompanying Notes to Financial Statements.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (1,107,393)	\$ (1,358,065)
Adjustments to Reconcile Operating Loss to Net Cash		
Used by Operations		
Depreciation	173,624	166,824
Net Change in WRS Pension Items	114,134	407,468
Decrease (Increase) in Current Assets:		
Resident Receivables	(74,737)	47,324
Other Receivables	196	(196)
Inventories	1,845	29,303
Prepaid Expenses	5,579	3,493
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(5,702)	28,872
Accrued Salaries, Wages and Benefits	5,614	17,026
Accrued Compensated Absences	2,951	(26,415)
Other Post Employment Benefit Obligation	19,643	28,401
Net Cash Used by Operating Activities	\$ (864,246)	\$ (655,965)
 RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 212,737	\$ 71,023
Restricted Under Resident Trust Agreement	16,697	20,675
Restricted by Donors	6,190	6,626
Cash and Cash Equivalents	\$ 235,624	\$ 98,324

See accompanying Notes to Financial Statements.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017.

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, 2018 AND 2017**

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, 2018 and 2017, the allowance for uncollectible accounts was \$115,000 and \$140,000 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

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 other retirement pension benefits and 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, 2018 AND 2017**

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 75.

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, 2018 and 2017.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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 \$1,330,847 and \$1,159,700 during the years ended December 31, 2018 and 2017, 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, 2018 AND 2017**

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:

	2018	2017
Total Resident Service Revenue	\$ 7,019,986	\$ 7,210,257
Contractual Adjustments		
Medicare	1,143,214	1,100,743
Provision for Bad Debts	76,780	22,264
Other	(568,772)	(569,805)
Total Contractual Adjustments	651,222	553,202
Net Resident Service Revenue	\$ 6,368,764	\$ 6,657,055

During the years ended December 31, 2018 and 2017, the occupancy percentages and the percentages of residents covered under the Medicare and Medicaid programs were as follows:

	2018	2017
Total Occupancy	78.8%	83.2%
Medicaid	72.0%	71.7%
Medicare	7.6%	6.7%

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, 2018 and 2017 consisted of the following:

	2018	2017
Receivable from Residents and Their Insurance Carriers	\$ 283,159	\$ 309,247
Receivable from Medicare	181,152	138,363
Receivable from Medicaid	263,409	230,373
Total Resident Receivables	727,720	677,983
Less: Allowance for Doubtful Accounts	(115,000)	(140,000)
Resident Receivables, Net	\$ 612,720	\$ 537,983

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Deposits	<u>\$ 235,624</u>	<u>\$ 98,324</u>

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

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	<u>\$ 212,737</u>	<u>\$ 71,023</u>
Noncurrent Cash and Investments:		
Restricted Under Resident Trust Agreement	16,697	20,675
Restricted by Donors:		
Recreation Fund	1,634	1,822
Employee Trust Fund	1,613	1,562
Solarium Fund	2,943	3,242
	<u>\$ 235,624</u>	<u>\$ 98,324</u>

POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 CAPITAL ASSETS

Summaries of capital assets for the years ended December 31, 2018 and 2017 are as follows:

	January 1, 2018	Additions	(Transfers and Retirements)	December 31, 2018
Capital Assets				
Land	\$ 6,605	\$ -	\$ -	\$ 6,605
Land Improvements	74,026	-	-	74,026
Buildings	3,593,494	54,784	(2,800)	3,645,478
Fixed Equipment	939,517	8,546	(51,541)	896,522
Movable Equipment	779,893	96,893	(96,277)	780,509
Transportation Equipment	45,915	-	-	45,914
Totals	<u>5,439,450</u>	<u>160,223</u>	<u>(150,618)</u>	<u>5,449,054</u>
Accumulated Depreciation				
Land Improvements	55,624	1,328	-	56,952
Buildings	2,459,856	116,808	(2,800)	2,573,864
Fixed Equipment	795,429	25,456	(51,541)	769,344
Movable Equipment	696,422	25,403	(96,278)	625,547
Transportation Equipment	41,286	4,629	-	45,915
Totals	<u>4,048,617</u>	<u>173,624</u>	<u>(150,619)</u>	<u>4,071,622</u>
	<u>\$ 1,390,833</u>	<u>\$ (13,401)</u>	<u>\$ 1</u>	<u>\$ 1,377,432</u>
	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>

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 5 LONG-TERM DEBT AND ADVANCES FROM COUNTY

Long-term debt and advances from county consist of the following as of December 31, 2018 and 2017:

Advances from County

	Balance January 1, 2018	Additions	Payments	Balance December 31, 2018	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.	\$ 298,364	\$ -	\$ (143,000)	\$ 155,364	\$ 125,000
Total Advances from County	<u>\$ 298,364</u>	<u>\$ -</u>	<u>\$ (143,000)</u>	<u>\$ 155,364</u>	<u>\$ 125,000</u>

	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. (1)	\$ 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>

(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.

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 \$64,888 and \$60,419 at December 31, 2018 and 2017, 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, 2018 and 2017 was \$173,536 and \$175,054, respectively.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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 occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contribution plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2018 through December 31, 2018, the WRS recognized \$223,806 in contributions from the Home.

Contribution rates as of December 31, 2018 are:

	<u>Employee</u>	<u>Employer</u>
General	6.70%	6.70%
Executives and Elected Officials	6.70%	6.70%
Protective with Social Security	6.70%	10.93%
Protective without Social Security	6.70%	15.13%

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>
2008	6.6%	0.0%
2009	(2.1)	(42.0)
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2018, the County reported an asset of \$4,315,141 for its proportionate share of the net pension asset. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. The County's proportion of the net pension asset was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2017, the County's proportion was 0.1453341 percent, which was a decrease of 0.00001729 from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the County recognized pension expense of \$1,950,615. At December 31, 2018 and 2017 the Home reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	12/31/2018 Deferred Outflows of Resources	12/31/2018 Deferred Inflows of Resources
Differences Between Expected and Actual Experience Changes of Assumptions	\$ 827,309 128,656	\$ 386,988 -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	894,951
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	25,581	-
Contributions Subsequent to the Measurement Date	223,806	-
Total	<u>\$ 1,205,352</u>	<u>\$ 1,281,939</u>

Description	12/31/2017 Deferred Outflows of Resources	12/31/2017 Deferred Inflows of Resources
Differences Between Expected and Actual Experience Changes of Assumptions	\$ 71,853 197,024	\$ 592,635 -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	938,006	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	35,745	-
Contributions Subsequent to the Measurement Date	227,151	-
Total	<u>\$ 1,469,779</u>	<u>\$ 592,635</u>

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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)

\$223,806 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31:</u>	Pension Expense Amount
2018	\$ 166,474
2019	166,474
2020	139,077
2021	6,065
2022	146
Thereafter	-

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

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset):	December 31, 2017
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return	7.2%
Discount Rate	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments	2.1%

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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:

<u>Core Fund Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	50%	8.2%	5.3%
Fixed Income	25%	4.2%	1.4%
Inflation Sensitive Assets	16%	3.8%	1.0%
Real Estate	8%	6.5%	3.6%
Private Equity/Debt	8%	9.4%	6.5%
Multi-Asset	4%	6.5%	3.6%
Total Core Fund	110%	7.3%	4.40%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70%	7.5%	4.6%
International Equities	30%	7.8%	4.9%
Total	100%	7.9%	5.0%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75% Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

Discount Rate. A single discount rate of 7.20 percent was used to measure the total pension asset. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% 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 asset.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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)	\$ 1,684,760	\$ (651,155)	\$ (2,426,523)

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

The County adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The County engaged an actuary to determine the County's liability for postemployment healthcare benefits other than pensions.

Single-Employer Plan Description

The County's plan is a single-employer defined benefit plan used to provide postemployment benefits other than pensions (OPEB). The County's OPEB consists of several interdependent pieces arising from the rules of the plan. The amounts paid by the County for continued health care for all classifications that are entitled to a benefit are briefly outlined below. The County Board of Polk County is designated as the administrator of the OPEB plan and it reserves the right to alter, amend or terminate the OPEB at any time for any reason, without consent.

Benefits Provided

The County offers an early retirement program for eligible employees who elect to retire and are considered retirement age in accordance with Wisconsin Retirement System rules. The program provides for participation in the County's health insurance program indefinitely, with the retiree responsible for the full COBRA rate for the health plan in place at the retiree's date of retirement from active status, adjusted year to year.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 8 OTHER POST EMPLOYMENT BENEFIT OBLIGATION (CONTINUED)

Employees covered by benefit terms. At December 31, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	25
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	416
	441
	441

Contributions

The County funds is other post-employment benefit on a pay-as-you go basis. For the fiscal year 2018, The County paid \$101,717.

Total OPEB Liability

The County does not accumulated assets in a trust for payment of OPEB benefits. Accordingly, the County must report its total OPEB liability. The County's total OPEB liability was determined by an actuarial valuation as of December 31, 2017. At December 31, 2018, the County reported a total OPEB liability of \$1,930,479. Changes in the County's Total OPEB Liability were as follows:

	Total OPEB Liability
Balance at 12/31/2017	\$ 1,865,664
Changes for the Year:	
Service Cost	141,171
Interest on Total Pension Liability	63,930
Benefit Payments	(140,286)
Net Changes	64,815
Balance at 12/31/18	\$ 1,930,479

Actuarial Assumptions

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

**POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 8 OTHER POST EMPLOYMENT BENEFIT OBLIGATION (CONTINUED)

Actuarial Valuation Date	January 1, 2018
Discount Rate	3.3%
20-Year Municipal Bond Yield	3.3%
Inflation Rate	2.5%
Salary Increases	3.0%
Medical Trend Rate	6.5% grading to 5.00% over 6 years
Mortality	RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.3 percent. The discount rate is based upon all years of projected payments discounted at a municipal bond rate of 3.3 percent

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB Liability	<u>\$ 2,081,454</u>	<u>\$ 1,930,479</u>	<u>\$ 1,789,972</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.0%) Decreasing to 4.0%)	Healthcare Cost Trend Rates (7.0%) Decreasing to 5.0%)	1% Increase (8.0%) Decreasing to 6.0%)
Net OPEB Liability	<u>\$ 1,727,150</u>	<u>\$ 1,930,479</u>	<u>\$ 2,171,515</u>

POLK COUNTY HOME (GOLDEN AGE MANOR)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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.

NOTE 10 RESTATEMENT

Golden Age Manor restated net position in order to adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This pronouncement requires the restatement of the December 31, 2017, net position

	<u>Net Position</u>
Net Position - December 31, 2017, as Previously Reported	\$ 1,429,356
Net OPEB Liability Related to the adoption of GASB 75	126,015
Net Position - December 31, 2017, as Restated	<u>\$ 1,555,371</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
County's Proportion of the Net Pension Liability (Asset)	0.15590987%	0.15067007%	0.14706284%	0.14533410%
County's Proportionate Share of the Net Pension Liability (Asset)	\$ (3,829,573)	\$ 2,448,359	\$ 1,212,149	\$ (4,315,141)
County's Covered Payroll	20,067,237	20,138,336	19,861,318	21,244,363
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	-19.08%	12.16%	6.10%	-20.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	102.74%	98.20%	99.12%	102.93%

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***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually Required Contribution	\$ 1,429,056	\$ 1,369,334	\$ 1,465,391	\$ 1,483,138
Contributions in Relation to the Contractually Required Contributions	<u>(1,429,056)</u>	<u>(1,369,334)</u>	<u>(1,465,391)</u>	<u>(1,483,138)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 20,138,336	\$ 19,861,318	\$ 20,300,313	\$ 20,115,097
Contributions as a Percentage of Covered Payroll	7.10%	6.89%	7.22%	7.37%

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, 2018 AND 2017**

	2018		Variance Positive (Negative)	2017
	Original Budget	Actual		Actual
OPERATING REVENUES:				
Resident Service Revenue:				
Resident Room Revenue	\$ 6,349,980	\$ 5,675,536	\$ (674,444)	\$ 5,885,352
Lab Revenue	68,400	59,057	(9,343)	62,906
X-ray Revenue	3,927	4,989	1,062	3,510
Pharmacy Revenue	222,000	165,414	(56,586)	184,659
Physical Therapy Revenue	361,500	341,085	(20,415)	368,221
Occupational Therapy Revenue	522,000	541,771	19,771	491,506
Speech Therapy	168,000	191,580	23,580	164,737
Resident Supply Revenue	62,400	40,555	(21,845)	49,367
Contractual Adjustments	(579,600)	(574,442)	5,158	(531,529)
Provision for Bad Debt	-	(76,780)	(76,780)	(21,674)
Total Resident Service Revenue	<u>7,178,607</u>	<u>6,368,765</u>	<u>(809,842)</u>	<u>6,657,055</u>
Other Operating Revenues:				
Transportation	7,200	6,103	(1,097)	6,992
Dietary:				
Meals Sold	9,100	9,269	169	8,629
Miscellaneous Services:				
Level I Screening	4,800	3,180	(1,620)	5,160
Other	1,440	12,290	10,850	37,809
Revenue for Nurses Aide Training	8,914	1,146	(7,768)	2,870
Total Other Operating Revenues	<u>31,454</u>	<u>31,988</u>	<u>534</u>	<u>61,535</u>
Total Operating Revenues	<u>7,210,061</u>	<u>6,400,753</u>	<u>(809,308)</u>	<u>6,718,590</u>

**POLK COUNTY HOME (GOLDEN AGE MANOR)
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018		Variance Positive (Negative)	2017
	Original Budget	Actual		Actual
OPERATING EXPENSES:				
Daily Resident Services:				
Registered Nurses:				
Salaries and Wages	\$ 849,827	\$ 848,222	\$ 1,605	\$ 868,602
Fringe Benefits	292,492	291,246	1,246	299,815
Pool Help	-	1,838	(1,838)	6,048
Licensed Practical Nurses:				
Salaries and Wages	545,484	462,288	83,196	467,401
Fringe Benefits	169,097	159,671	9,426	155,462
Pool Help	6,000	1,550	4,450	5,181
Nurses Aides:				
Salaries and Wages	1,709,581	1,438,573	271,008	1,553,899
Fringe Benefits	652,787	551,375	101,412	659,493
Pool Help	60,000	146,526	(86,526)	47,369
Purchased Services	-	-	-	4,120
Supplies and Expenses	214,080	139,364	74,716	178,088
Over The Counter Drugs	32,400	39,472	(7,072)	33,715
Total Daily Resident Services	4,531,748	4,080,125	451,623	4,279,193
Special Services:				
Laboratory:				
Purchased Services	30,000	24,638	5,362	22,742
Radiology:				
Purchased Services	1,800	4,476	(2,676)	5,307
Pharmacy:				
Supplies and Expenses	139,380	86,925	52,455	105,733
Purchased Services	-	-	-	8,594
Physical Therapy:				
Purchased Services	108,000	96,590	11,410	92,649
Occupational Services:				
Purchased Services	156,000	142,477	13,523	139,559
Medical Director Fees:				
Purchased Services	9,000	9,150	(150)	6,600
Social Services:				
Salaries and Wages	83,513	78,442	5,071	81,144
Fringe Benefits	34,148	24,690	9,458	32,762
Supplies and Expenses	120	1,041	(921)	933
Recreation Activities:				
Salaries and Wages	113,690	80,705	32,985	100,094
Fringe Benefits	44,273	39,629	4,644	34,610
Supplies and Expenses	6,600	3,828	2,772	5,519
Speech Therapy:				
Purchased Services	64,800	75,256	(10,456)	60,081
Infusion Therapy:				
Purchased Services	2,400	4,739	(2,339)	772
Total Special Services	793,724	672,586	121,138	697,099

**POLK COUNTY HOME (GOLDEN AGE MANOR)
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018		Variance Positive (Negative)	2017
	Original Budget	Actual		Actual
OPERATING EXPENSES (CONTINUED):				
General Services:				
Dietary:				
Salaries and Wages	\$ 321,403	\$ 310,920	\$ 10,483	\$ 317,503
Fringe Benefits	117,431	107,203	10,228	103,764
Supplies and Expenses	30,960	24,828	6,132	26,929
Food	291,112	265,342	25,770	268,397
Maintenance:				
Salaries and Wages	90,639	90,570	69	89,160
Fringe Benefits	34,885	34,009	876	30,363
Purchased Services	29,700	23,058	6,642	12,619
Supplies and Expenses	40,080	30,764	9,316	36,983
Housekeeping:				
Salaries and Wages	162,874	150,817	12,057	151,983
Fringe Benefits	47,280	41,196	6,084	36,801
Purchased Services	3,900	2,177	1,723	4,049
Supplies and Expenses	37,920	31,949	5,971	36,600
Laundry and Linen:				
Salaries and Wages	97,987	97,928	59	100,765
Fringe Benefits	57,390	56,509	881	49,660
Supplies and Expenses	14,820	12,099	2,721	15,295
Transportation:				
Salaries and Wages	-	4,721	(4,721)	11,243
Fringe Benefits	897	361	536	6,281
Supplies and Expenses	16,764	3,463	13,301	2,128
Total General Services	1,396,042	1,287,914	108,128	1,300,523
Other Cost Centers:				
Supplies and Expenses	-	-	-	3,240
Total Other Cost Centers	-	-	-	3,240
Administrative Services:				
Fiscal/Accounting:				
Salaries and Wages	163,592	165,408	(1,816)	163,979
Fringe Benefits	77,368	78,472	(1,104)	85,881
Purchased Services	105,900	55,542	50,358	33,542
Supplies and Expenses	58,917	49,411	9,506	68,462
Medical Records:				
Salaries and Wages	87,306	84,041	3,265	85,438
Fringe Benefits	54,927	53,891	1,036	53,337
Supplies and Expenses	-	224	(224)	2,293

**POLK COUNTY HOME (GOLDEN AGE MANOR)
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018		Variance Positive (Negative)	2017
	Original Budget	Actual		Actual
OPERATING EXPENSES (CONTINUED)				
Administrative Services (Continued):				
General Administration:				
Salaries and Wages	\$ 106,473	\$ 94,771	\$ 11,702	\$ 97,828
Fringe Benefits	16,361	15,058	1,303	15,552
Committee Fees and Expenses	4,980	1,524	3,456	-
Legal Fees	2,400	-	2,400	1,085
Accounting Fees	-	-	-	14,850
Telephone	11,460	11,321	139	9,412
Postage	2,800	2,655	145	2,409
Subscriptions and Dues	7,655	16,196	(8,541)	7,465
Bed Assessment Fee	232,560	229,160	3,400	232,560
Licenses	-	-	-	784
Advertising Employment	18,000	16,206	1,794	17,805
Advertising Promotion	3,300	2,894	406	2,673
Advertising	-	1,744	-	-
Administrative Travel	1,200	1,410	(210)	5,141
Administrative Services	-	-	(1,744)	1,321
Supplies and Expenses	19,499	21,506	(2,007)	27,715
WRS Pension Expenses	-	114,134	(114,134)	407,468
Fuel - Wisconsin Gas Company	30,000	26,065	3,935	31,527
Fuel for Generator	-	413	(413)	374
Electricity	63,900	51,389	12,511	54,373
Police and Fire Protection Fees	-	1,869	(1,869)	2,404
Water and Sewer	18,000	17,866	134	18,106
Equipment Operating Lease	2,000	441	1,559	-
Penalties and Fees	13,100	20,607	(7,507)	5,801
Insurance:				
Property Insurance	5,982	6,104	(122)	6,390
General Liability Insurance	37,135	37,175	(40)	39,942
Worker's Compensation Insurance	121,824	116,399	5,425	133,859
Total Administrative Services	1,266,639	1,293,896	(27,257)	1,629,776

**POLK COUNTY HOME (GOLDEN AGE MANOR)
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018		Variance Positive (Negative)	2017
	Original Budget	Actual		Actual
OPERATING EXPENSES (CONTINUED)				
Depreciation:				
Land Improvements	\$ 1,332	\$ 1,328	\$ 4	\$ 1,050
Buildings	125,076	116,808	8,268	136,904
Fixed Equipment	31,740	25,456	6,284	10,847
Major Moveable Equipment	37,217	25,403	11,814	11,853
Vehicles	4,635	4,629	6	6,170
Total Depreciation	<u>200,000</u>	<u>173,624</u>	<u>26,376</u>	<u>166,824</u>
Total Operating Expenses	<u>8,188,153</u>	<u>7,508,145</u>	<u>680,008</u>	<u>8,076,655</u>
OPERATING LOSS	(978,092)	(1,107,392)	(129,300)	(1,358,065)
NONOPERATING GAINS (LOSSES):				
Supplemental Payment Revenue	1,166,088	1,330,847	164,759	1,159,700
Interest Income - General	-	12	12	19
Contributions - General	-	(436)	(436)	(1,219)
Total Nonoperating Gains	<u>1,166,088</u>	<u>1,330,423</u>	<u>164,335</u>	<u>1,158,500</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE TRANSFERS, CAPITAL GRANTS, AND CONTRIBUTIONS				
	187,996	223,031	35,035	(199,565)
Transfers to County General Fund	<u>(186,354)</u>	<u>(21,677)</u>	<u>(164,677)</u>	<u>(21,677)</u>
CHANGE IN NET POSITION	<u>\$ 1,642</u>	<u>\$ 201,354</u>	<u>\$ (129,642)</u>	<u>\$ (221,242)</u>
Change from General Operations	\$ 1,642	\$ 201,354	\$ 199,712	\$ (221,242)
Change in Restricted Donation Funds	-	-	-	-
	<u>\$ 1,642</u>	<u>\$ 201,354</u>	<u>\$ 199,712</u>	<u>\$ (221,242)</u>



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, 2018, 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 28, 2019.

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 2018-001 and 2018-002 to be 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*.

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 28, 2019

**POLK COUNTY HOME (GOLDEN AGE MANOR)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018**

FINDING: 2018-001 Limited Segregation of Duties, Material Weakness

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: The available staff precludes a proper separation of duties to assure adequate internal control.

Criteria or specific requirement: 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.

Context: The limited number of the Home's staff in some departments responsible for accounting and financial duties precludes a complete segregation of incompatible duties. The Home has informed us that it may not be cost effective to hire the additional personnel required to achieve complete segregation of duties.

Effect: The potential exists that the design of the internal controls over financial reporting could affect the ability of the Home to record, process, summarize and report financial data consistently with the assertions of management in the financial statements. In addition, this lack of segregation of duties may result in the Home's inability to prevent /detect misappropriation of the Home's assets.

Cause: The condition is due to limited staff available.

Recommendation: The Home should continue to evaluate its staffing in order to segregate incompatible duties whenever possible.

Views of responsible officials and planned corrective actions: The Home continues to work to achieve segregation of duties whenever cost effective. The Home is pursuing staff training to address receipting controls. The Finance Director is the official responsible for ensuring corrective action of the deficiency.

**POLK COUNTY HOME (GOLDEN AGE MANOR)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

FINDING: 2018-002 MATERIAL AUDIT ADJUSTMENTS

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: The audit firm proposed and the Home posted to its general ledger accounts adjusting journal entries for correcting certain misstatements.

Criteria or specific requirement: The Home should have controls in place to prevent or detect a material misstatement in the financial statements in a timely manner.

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.

Effect: The potential exists that financial statements of the Home may include inaccurate information not detected or prevented by Home staff.

Cause: The Home has not established controls to ensure that all accounts are adjusted to their appropriate year end balances in accordance with GAAP.

Repeat finding: This finding is a repeat of the 2017 audit finding, 2017-002.

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.

Views of responsible officials and planned corrective actions: The Home will continue to rely upon the audit firm to propose audit adjustments necessary to adjust accounts in accordance with GAAP. Management will review, approve, and accept responsibility for the entries prior to recording them in the finance system. The County Administrator is the official responsible for ensuring corrective action of the deficiency.