

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
MENOMONIE, WISCONSIN**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF NET POSITION	4
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	5
STATEMENTS OF CASH FLOWS	6
NOTES TO BASIC FINANCIAL STATEMENTS	8
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFIT PLAN	26
SCHEDULE OF PROPORTIONATE SHARE OF WISCONSIN RETIREMENT SYSTEM PENSION PLAN ASSET	27
SCHEDULE OF CONTRIBUTIONS TO WISCONSIN RETIREMENT SYSTEM PENSION PLAN	28
SUPPLEMENTARY INFORMATION	
DETAIL SCHEDULE OF REVENUES AND EXPENSES	29



CliftonLarsonAllen LLP
CL.Aconnect.com

INDEPENDENT AUDITORS' REPORT

County Board of Supervisors
Dunn County
Menomonie, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of The Neighbors of Dunn County, an enterprise fund of Dunn County, Wisconsin (The Neighbors), as of and for the years ended December 31, 2015 and 2014, and related notes to the financial statements, which collectively comprise The Neighbors' basic financial statements as listed in the table of contents.

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. 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 The Neighbors of Dunn County as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Reporting Entity

As discussed in Note 1, the financial statements present only The Neighbors of Dunn County, an enterprise fund of Dunn County, and do not purport to, and do not, present fairly the financial position of Dunn County and results of its operations and the cash flows in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Change in Accounting Principle

During fiscal year ended December 31, 2015, The Neighbors of Dunn County adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of GASB Statements No. 68 and 71, The Neighbors reported a restatement for the change in accounting principle (see Note 11). Our auditors' opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of funding progress and pension plan schedules, as referenced in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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.

The Neighbors has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise The Neighbors' basic financial statements. The detail schedule of revenues and expenses is presented for purposes 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Eau Claire, Wisconsin

April 19, 2016

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014**

	2015	2014
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ -
Accounts Receivable, Net of Allowance for Doubtful Accounts	911,708	1,742,952
Inventory	51,304	56,587
Prepaid Expenses	5,792	5,075
Total Current Assets	968,804	1,804,614
Restricted Assets:		
Restricted Cash - Resident Accounts	12,894	12,927
Restricted Cash and Investments - Bond Escrow	56,056	56,056
Wisconsin Retirement System Pension Plan Asset	830,956	-
Total Restricted Assets	899,906	68,983
Capital Assets:		
Capital Assets Not Being Depreciated:		
Land	20,200	20,200
Capital Assets Being Depreciated:		
Other Capital Assets	22,306,304	22,306,304
Less: Accumulated Depreciation	(2,312,415)	(1,568,290)
Total Capital Assets	20,014,089	20,758,214
Total Assets	21,882,799	22,631,811
DEFERRED OUTFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	887,824	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	129,923	313,237
Accrued Liabilities	156,052	336,158
Accrued Interest Payable	186,425	190,825
Due to Dunn County	3,330,498	2,541,012
Vested Benefits	287,175	333,802
Patients Trust Fund Payable	12,894	12,927
Bonds Payable	895,000	880,000
Total Current Liabilities	4,997,967	4,607,961
Noncurrent Liabilities:		
Advance from Dunn County	32,500	32,500
Vested Benefits	532,197	421,676
Other Post-Employment Benefits	95,564	110,041
Bonds Payable	20,431,817	21,431,844
Total Noncurrent Liabilities	21,092,078	21,996,061
Total Liabilities	26,090,045	26,604,022
NET POSITION		
Net Investment in Capital Assets	(1,312,728)	(1,553,630)
Restricted	887,012	56,056
Unrestricted	(2,893,706)	(2,474,637)
Total Net Position Deficit	\$ (3,319,422)	\$ (3,972,211)

See accompanying Notes to Basic Financial Statements.

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
OPERATING REVENUES		
Resident Services	\$ 11,584,281	\$ 12,271,431
Other	57,927	70,061
Total Operating Revenues	11,642,208	12,341,492
OPERATING EXPENSES		
Nursing Services	6,078,991	6,606,219
Laboratory and Radiology	10,687	42,592
Pharmacy	256,893	211,576
Physician	138,155	135,450
Social Services	174,767	161,391
Activities	158,961	135,419
Dietary	859,337	923,081
Plant Operations and Maintenance	467,012	569,445
Housekeeping	159,752	155,070
Laundry and Linen	16,828	26,069
Medical Records	43,484	38,111
Purchasing	32,132	32,076
Property and Ownership	19,888	21,358
Administrative	845,805	815,804
Depreciation	744,125	744,125
Capital Outlay	9,521	259,586
Employee Benefits	3,006,829	2,880,071
Total Operating Expenses	13,023,167	13,757,443
LOSS FROM OPERATIONS	(1,380,959)	(1,415,951)
NONOPERATING REVENUES		
Tax Levy Funds	-	500,000
Rental Income	12,983	17,293
Interest Income	-	113
Grants and Donations	58,931	-
Intergovernmental Transfer Program Funds	905,301	807,299
Total Nonoperating Revenues	977,215	1,324,705
NONOPERATING EXPENSES		
Amortization of Debt Premium	(105,027)	(107,477)
Interest Expense	750,100	767,600
Total Nonoperating Expenses	645,073	660,123
NET LOSS BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS TO GENERAL COUNTY	(1,048,817)	(751,369)
Capital Contributions to General County	-	(3,786)
NET LOSS	(1,048,817)	(755,155)
Net Position - Beginning of Year, As Previously Stated	(3,972,211)	(3,217,056)
Change in Accounting Principle	1,701,606	-
Net Position - Beginning of Year	(2,270,605)	(3,217,056)
NET POSITION - END OF YEAR	\$ (3,319,422)	\$ (3,972,211)

See accompanying Notes to Basic Financial Statements.

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Residents and Third-Party Payers	\$ 13,450,667	\$ 13,392,324
Paid to Suppliers for Goods and Services	(3,448,426)	(5,101,448)
Paid to Employees for Services	(9,157,260)	(8,349,682)
Net Cash Provided (Used) by Operating Activities	844,981	(58,806)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax Levy Funds	-	500,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	-	(48,238)
Payment of Debt Principal	(880,000)	(860,000)
Payment of Debt Interest Costs	(754,500)	(771,899)
Net Cash Used by Capital and Related Financing Activities	(1,634,500)	(1,680,137)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	-	113
NET CHANGE IN CASH AND CASH EQUIVALENTS	(789,519)	(1,238,830)
Cash and Cash Equivalents - Beginning of Year	(2,472,029)	(1,233,199)
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ (3,261,548)	\$ (2,472,029)

See accompanying Notes to Basic Financial Statements.

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,380,959)	\$ (1,415,951)
Adjustments to Reconcile Operating Loss to Net Cash Provide (Used) by Operating Activities:		
Change in Pension Asset	(17,174)	-
Rental Income Received	12,983	17,293
Intergovernmental Transfer Program Funds Received	905,301	807,299
Grants and Donations	58,931	-
Noncash Items Included in Income:		
Depreciation	744,125	744,126
Change in Assets and Liabilities:		
Accounts Receivable	831,244	226,240
Inventory	5,283	(1,152)
Prepaid Expenses	(717)	(530)
Accounts Payable	(183,314)	(416,283)
Accrued Liabilities	(180,106)	(14,964)
Patient Trust Payable	(33)	6,437
Vested Benefits	63,894	33,211
Other Post-Employment Benefits	(14,477)	(44,532)
Net Cash Used by Operating Activities	\$ 844,981	\$ (58,806)
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and Cash Equivalents	\$ -	\$ -
Restricted Cash	68,950	68,983
Due to Dunn County	(3,330,498)	(2,541,012)
Total	\$ (3,261,548)	\$ (2,472,029)

See accompanying Notes to Basic Financial Statements.

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Reporting Entity

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

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

Based on these criteria, there are no organizations considered to be component units of The Neighbors of Dunn County.

Measurement Focus and Basis of Accounting

The financial statements are reported using the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange transactions, in which The Neighbors gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables, if material, are recorded as revenues when services are provided.

The Neighbors uses enterprise fund accounting based on Government Accounting Standards Board (GASB) Codification Topic 1600, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in financial statements and accompanying notes. Actual results could differ from those estimates.

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

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

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

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

Restricted Assets

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

Accounts Receivable

Accounts receivable have been shown net of an allowance for uncollectible accounts. The provision for uncollectible patient accounts was \$132,333 and \$166,036 at December 31, 2015 and 2014, respectively. All accounts receivable are uncollateralized.

Inventories

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

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are generally defined by The Neighbors as assets with an initial, individual cost of more than \$5,000 and an estimated useful life which extends substantially beyond the year of acquisition. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation. The Neighbors has no infrastructure assets.

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

	<u>Estimated Useful Lives</u>
Building and Improvements	20 - 35 Years
Furniture and Equipment	5 - 20 Years
Transportation Equipment	8 - 12 Years

Deferred Outflows of Resources

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

Deferred Inflows of Resources

The Neighbors' 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. No deferred inflows of resources are reported in the financial statements in the current year.

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 Postemployment Benefits Payable

Under provisions of various employee contracts, the Neighbors 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.

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Defining Operating Revenue and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of The Neighbors are charges to residents for care. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses

Equity Classifications

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

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

Unrestricted Net Position – All other net position are available for use, it is The Neighbors' policy to use restricted resources first, then unrestricted resources as they are needed.

Third-Party Reimbursement Contracts

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

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

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 2 CASH AND CASH EQUIVALENTS

The Neighbors' balances at individual financial institutions were subject to coverage under federal depository insurance and amounts appropriated by Sections 20.144(1)(a) and 34.08 of the Wisconsin Statutes (State Guarantee Fund). Federal depository insurance provides for coverage of up to \$250,000 for time and savings deposits and an additional \$250,000 for demand deposits.

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

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

The Neighbors' carrying amount of cash and cash equivalents on the statement of net position is zero at both December 31, 2015 and 2014. Due to no available cash, Dunn County has paid for costs on behalf of The Neighbors, resulting in a liability due to Dunn County of \$3,330,498 and \$2,541,012 at December 31, 2015 and 2014, respectively.

NOTE 3 RESTRICTED ASSETS

A. Restricted Cash – Resident Accounts:

The Neighbors is the custodian for funds held on behalf of its patients. These funds presented as restricted cash and offsetting patients trust fund payable totaled \$12,894 and \$12,927 on December 31, 2015 and 2014, respectively.

B. Restricted Cash and Investments – Bond Escrow.

During 2012, The Neighbors issued bonds for the purpose of constructing a new health care facility. A portion of the proceeds from these bonds were placed in escrow accounts at American Deposit Management, LLC. Individual investments within these escrow accounts consist of money market funds and certificates of deposit with various financial institutions held in the County's name. Holdings at each financial institution do not individually exceed FDIC insurance levels. Total cash and investments held in escrow was \$56,056 at 2015 and 2014.

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 4 CAPITAL ASSETS

Changes in capital assets during 2015 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 20,200	\$ -	\$ -	\$ 20,200
Capital Assets Being Depreciated:				
Land Improvements	658,998	-	-	658,998
Buildings	20,246,593	-	-	20,246,593
Fixed Equipment	1,337,804	-	-	1,337,804
Major Moveable Equipment	62,909	-	-	62,909
Total Capital Assets Being Depreciated	22,306,304	-	-	22,306,304
Less: Accumulated Depreciation:				
Land Improvements	65,900	32,949	-	98,849
Buildings	1,156,948	578,474	-	1,735,422
Fixed Equipment	295,615	130,833	-	426,448
Major Moveable Equipment	49,827	1,869	-	51,696
Total Accumulated Depreciation	1,568,290	744,125	-	2,312,415
Net Capital Assets	<u>\$ 20,758,214</u>	<u>\$ (744,125)</u>	<u>\$ -</u>	<u>\$ 20,014,089</u>

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Changes in capital assets during 2014 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 20,200	\$ -	\$ -	\$ 20,200
Capital Assets Being Depreciated:				
Land Improvements	658,998	-	-	658,998
Buildings	20,246,593	-	-	20,246,593
Fixed Equipment	1,304,519	33,285	-	1,337,804
Major Moveable Equipment	83,930	14,953	35,974	62,909
Total Capital Assets				
Being Depreciated	22,294,040	48,238	35,974	22,306,304
Less: Accumulated Depreciation:				
Land Improvements	32,950	32,950	-	65,900
Buildings	578,474	578,474	-	1,156,948
Fixed Equipment	164,782	130,833	-	295,615
Major Moveable Equipment	80,146	1,869	32,188	49,827
Total Accumulated Depreciation	856,352	744,126	32,188	1,568,290
Net Capital Assets	<u>\$ 21,457,888</u>	<u>\$ (695,888)</u>	<u>\$ 3,786</u>	<u>\$ 20,758,214</u>

NOTE 5 VESTED BENEFITS

As of December 31, 2015 and 2014, vested vacation pay benefits payable were \$290,523 and \$271,386 respectively, and vested sick leave payable were \$528,849 and \$484,092 respectively. The changes in vested benefits during 2015 and 2014 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
2015	\$ 755,478	\$ 383,005	\$ 319,111	\$ 819,372	\$ 287,175
2014	722,267	406,449	373,238	755,478	333,802

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 6 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended December 31, 2015 and 2014, respectively, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
2015					
Bonds Payable	\$ 21,190,000	\$ -	\$ 880,000	\$ 20,310,000	\$ 895,000
Debt Premium	1,121,844	-	105,027	1,016,817	N/A
2014					
Bonds Payable	\$ 22,050,000	\$ -	\$ 860,000	\$ 21,190,000	\$ 880,000
Debt Premium	1,229,320	-	107,476	1,121,844	N/A

Annual requirements for retirement of long-term obligations outstanding at year-end are as follows:

Year	Principal	Interest	Total
2016	\$ 895,000	\$ 736,750	\$ 1,631,750
2017	920,000	714,000	1,634,000
2018	945,000	686,025	1,631,025
2019	975,000	657,225	1,632,225
2020	1,005,000	627,525	1,632,525
2021-2025	5,595,000	2,566,725	8,161,725
2026-2030	6,835,000	1,333,500	8,168,500
2031-2032	3,140,000	126,800	3,266,800
	<u>\$ 20,310,000</u>	<u>\$ 7,448,550</u>	<u>\$ 27,758,550</u>

On June 25, 2012, the County issued General Obligation Health Care Center Bonds in the amount of \$22,050,000 for the financing of the new health care facility. The bonds bear interest between 2.0% and 4.0%, mature on April 1, 2032 and are backed by the full faith and credit of the County.

NOTE 7 OPERATING REVENUES

A. 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.

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 7 OPERATING REVENUES (CONTINUED)

A. Net Resident Revenues (Continued)

Third-Party Reimbursement Agreements

Medicaid

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

Medicare

By state statute, a nursing facility which participates in the Medicaid program must also participate in the Medicare program. This program is administered by The Neighbors 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.

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

	2015	2014
Total Resident Service Revenue	\$ 15,738,449	\$ 15,947,787
Revenue Adjustments:		
Contractual Adjustments	(4,103,245)	(3,652,002)
Provision for Bad Debts	(50,923)	(24,354)
Total Contractual Adjustments and Provisions for Bad Debts	(4,154,168)	(3,676,356)
Net Resident Service Revenue	\$ 11,584,281	\$ 12,271,431

B. Intergovernmental Transfer Program (ITP)

The Neighbors is participating in the Intergovernmental Transfer Program (ITP) which is a state program that reimburses nursing homes for a portion of their losses from operations. During 2015, The Neighbors recognized \$905,301 of ITP revenue. This entire amount was received in 2015. In 2014, The Neighbors recognized \$807,299 of ITP revenue. This entire amount was received in 2014.

THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 8 EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description. All eligible Dunn County employees participate in the Wisconsin Retirement System (WRS), 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.

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.

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 8 EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

General Information about the Pension Plan (Continued)

During the reporting period ending December 31, 2015, the WRS recognized \$1,498,650 in contributions from Dunn County as a whole, including The Neighbors of Dunn County, an enterprise fund of the County.

Contribution rates as of December 31, 2015 are:

	<u>Employee</u>	<u>Employer</u>
General (Including Teachers)	6.80%	6.80%
Executives & Elected Officials	7.70%	7.70%
Protective with Social Security	6.80%	12.13%
Protective without Social Security	6.80%	15.73%

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>
2005	2.6%	7.0%
2006	0.8	3.0
2007	3.0	10.0
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

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 8 EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

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

At December 31, 2015, the County reported an asset of \$3,722,504 for its proportionate share of the net pension asset, in which \$830,956 was allocated to The Neighbors. The County's net pension asset was measured as of December 31, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. 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, 2014, the County's proportion was 0.15155089 percent, which was an increase of 0.00544667 from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the County recognized pension expense of \$1,510,144. At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 539,647	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,802,616	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	136,353	-
District Contributions Subsequent to the Measurement Date	1,498,650	-
Total	<u>\$ 3,977,266</u>	<u>\$ -</u>

\$1,498,650 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2015	\$ 486,029
2016	486,029
2017	486,029
2018	486,029
2019	486,029
Thereafter	48,470

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 8 EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

Actuarial assumptions. The total pension asset in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset):	December 31, 2014
Actuarial Cost Method:	Frozen Entry Age
Asset Valuation Method:	5-Year Smoothed Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Inflation:	2.0% to 2.7% - approximate
Salary Increases:	3.2% to 8.8% including inflation WRS experience projected to
Mortality:	2017 with scale BB
Post-retirement Adjustments*:	5.0%

*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 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

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%	5.3%	70%	5.3%
International Equity	23%	5.7%	30%	5.7%
Fixed Income	36%	1.7%	N/A	N/A
Inflation Sensitive Assets	20%	2.3%	N/A	N/A
Real Estate	7%	4.2%	N/A	N/A
Private Equity/Debt	7%	6.9%	N/A	N/A
Multi-Asset	6%	3.9%	N/A	N/A
Cash	-20%	0.9%	N/A	N/A
Totals	100%		100%	

THE NEIGHBORS OF DUNN COUNTY
 AN ENTERPRISE FUND OF DUNN COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2015 AND 2014

NOTE 8 EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

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 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 asset.

Sensitivity of the County's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the County's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the County'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%)
County's Proportionate Share of the Net Pension Liability (Asset)	\$ 10,501,826	\$ (3,722,504)	\$ (14,956,306)

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/> and reference report number 15-11.

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 9 RISK MANAGEMENT

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

The Neighbors' professional liability insurance covers losses of up to \$3,000,000 per claim and \$3,000,000 per year of claims incurred during a policy year regardless of when the claim was filed ("claims-incurred" coverage). The professional liability insurance policy is renewable annually and has been renewed by the insurance carrier for the annual period extending to December 31, 2015.

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

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS

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

A. Plan Description

All employees who retire through the Wisconsin Retirement System are eligible to participate in the retiree medical plan if they pay 100% of the retiree premium. As of January 1, 2014 there were approximately 6 retired participants receiving benefits from the County's health plans. As of December 31, 2014, current active employees were no longer eligible for the retiree health benefits.

B. Funding Policy

The County funds its OPEB obligation on a pay as you go basis. For fiscal year 2015, the County contributed an estimated \$38,712 to the plan.

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the County's net OPEB obligation. The Neighbors' portion of the total liability was \$95,564 and \$110,041 on December 31, 2015 and 2014, respectively.

	2015	2014
Annual Required Contribution	\$ 35,516	\$ 35,516
Interest on Net OPEB Obligation	25,801	29,541
Adjustment to Annual Required Contribution	(107,467)	(123,046)
Annual OPEB Cost (Expense)	(46,150)	(57,989)
Contributions Made	(38,712)	(35,516)
Increase in Net OPEB Obligation	(84,862)	(93,505)
Net OPEB Obligation- Beginning of Year	645,021	738,526
Net OPEB Obligation- End of Year	<u>\$ 560,159</u>	<u>\$ 645,021</u>

The County's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the prior two years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ (46,150)	\$ 38,712	-84%	\$ 560,159
12/31/2014	(57,989)	35,516	-61.2	645,021
12/31/2013	228,012	114,289	50.1	738,526

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

D. Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the unfunded actuarial accrued liability (UAAL) was \$150,160 or 0.8% of \$19,746,539 in covered payroll.

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

E. Actuarial Methods and Assumptions

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

In the January 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% interest discount rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 9.0%, reduced by decrements to an ultimate rate of 5.0% by the year 2023. The UAAL is being amortized as a level dollar on a closed group. The remaining amortization period at December 31, 2015 was 8 years.

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 11 CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2015, the County adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. These pronouncements require the restatement of the December 31, 2014, net position of The Neighbors as follows:

	The Neighbors of Dunn County
Net Position, December 31, 2014, as Previously Reported	\$ (3,972,211)
Cumulative Affect of Application of GASB 68, Net Pension Asset (Liability)	1,381,679
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for Contributions Made to the Plan During Fiscal Year Ended December 31, 2014	319,927
Net Position, December 31, 2014, as Restated	\$ (2,270,605)

REQUIRED SUPPLEMENTARY INFORMATION

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST-EMPLOYMENT BENEFIT PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
1/1/2014	\$ -	\$ 150,160	\$ 150,160	0%	\$ 19,746,539	0.76%
1/1/2013	-	2,207,376	2,207,376	0%	21,217,170	10.4%
1/1/2012	-	1,693,576	1,693,576	0%	21,151,681	7.9%

The above information is for Dunn County as a whole, including The Neighbors of Dunn County, an enterprise fund of the County. Beginning January 1, 2015, the County no longer provides retiree health benefits for those retiring on /after January 1, 2015. They will be allowed to continue coverage with the County's plan through COBRA. Current retirees will be allowed to remain on the plan until they reach age 65. The County is not providing subsidies to participants impacted by this change. This change significantly decreased the County's liabilities.

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
SCHEDULE OF PROPORTIONATE SHARE OF
WISCONSIN RETIREMENT SYSTEM PENSION PLAN ASSET
LAST TEN FISCAL YEARS***

	2015
County's proportion of the net pension liability (asset)	0.15155089%
County's proportionate share of the net pension liability (asset)	\$ (3,722,504)
County's covered-employee payroll	\$ 19,744,668
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-18.85%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%

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

*Shown prospectively from year of implementation.

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
SCHEDULE OF CONTRIBUTIONS TO
WISCONSIN RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS***

	2015
Contractually Required Contribution	\$ 1,498,650
Contributions in Relation to the Contractually Required Contributions	(1,498,650)
Contribution Deficiency (Excess)	\$ -
County's Covered-Employee Payroll	\$ 19,744,668
Contributions as a Percentage of Covered Employee Payroll	7.59%

The above information is for Dunn County as a whole, including The Neighbors of Dunn County, 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

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
DETAIL SCHEDULE OF REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015				2014
	East	Central	West	Total	
OPERATING REVENUES					
Resident Services	\$ 3,537,982	\$ 4,398,339	\$ 3,647,960	\$ 11,584,281	\$ 12,271,431
Other Revenue:					
Cafeteria	-	39,458	-	39,458	32,843
Other Operating Revenue	-	1,144	-	1,144	18,303
Operating Rental Revenue	-	9,675	-	9,675	9,675
OBRA Level I Screens	510	6,930	210	7,650	9,240
Total Other Revenue	<u>510</u>	<u>57,207</u>	<u>210</u>	<u>57,927</u>	<u>70,061</u>
Total Operating Revenues	3,538,492	4,455,546	3,648,170	11,642,208	12,341,492
OPERATING EXPENSES					
Nursing Services:					
Salaries and Wages	1,626,311	1,689,316	1,555,864	4,871,491	4,336,229
Purchased Services	186,583	651,670	154,044	992,297	1,998,689
Supplies and Expenses	67,253	73,871	74,079	215,203	271,301
Total	<u>1,880,147</u>	<u>2,414,857</u>	<u>1,783,987</u>	<u>6,078,991</u>	<u>6,606,219</u>
Laboratory and Radiology:					
Supplies and Expense	285	10,104	298	10,687	42,592
Pharmacy:					
Drugs and Medicines	24,781	202,680	20,929	248,390	201,714
Purchased Services	3,389	2,295	2,819	8,503	9,862
Total	<u>28,170</u>	<u>204,975</u>	<u>23,748</u>	<u>256,893</u>	<u>211,576</u>
Physician:					
Purchased Services	45,967	46,221	45,967	138,155	135,450
Social Services:					
Salaries and Wages	43,307	70,068	60,986	174,361	161,140
Purchased Services	-	10	10	20	10
Supplies and Expense	128	129	129	386	241
Total	<u>43,435</u>	<u>70,207</u>	<u>61,125</u>	<u>174,767</u>	<u>161,391</u>

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
DETAIL SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015				2014
	East	Central	West	Total	
OPERATING EXPENSES (Continued)					
Patient Activities:					
Salaries and Wages	\$ 37,633	\$ 73,736	\$ 37,622	\$ 148,991	\$ 125,006
Purchased Services	-	-	-	-	20
Supplies and Expense	2,973	3,970	3,027	9,970	10,393
Total	<u>40,606</u>	<u>77,706</u>	<u>40,649</u>	<u>158,961</u>	<u>135,419</u>
Dietary					
Salaries and Wages	142,740	146,942	142,695	432,377	465,310
Purchased Services	7	53	7	67	40
Supplies and Expense	141,549	145,262	140,082	426,893	457,731
Total	<u>284,296</u>	<u>292,257</u>	<u>282,784</u>	<u>859,337</u>	<u>923,081</u>
Plant Operations and Maintenance:					
Purchased Services	42,405	78,442	39,995	160,842	253,431
Supplies and Expense	14,244	31,069	16,932	62,245	66,235
Utilities	64,075	109,927	69,923	243,925	249,779
Total	<u>120,724</u>	<u>219,438</u>	<u>126,850</u>	<u>467,012</u>	<u>569,445</u>
Housekeeping:					
Purchased Services	28,538	49,413	28,569	106,520	98,607
Supplies and Expense	16,010	17,630	19,592	53,232	56,463
Total	<u>44,548</u>	<u>67,043</u>	<u>48,161</u>	<u>159,752</u>	<u>155,070</u>
Laundry and Linen:					
Supplies and Expense	4,935	6,110	5,783	16,828	26,069
Medical Records:					
Salaries and Wages	12,150	12,518	12,090	36,758	31,836
Purchased Services	1,117	3,054	901	5,072	5,305
Supplies and Expense	219	1,216	219	1,654	970
Total	<u>13,486</u>	<u>16,788</u>	<u>13,210</u>	<u>43,484</u>	<u>38,111</u>
Purchasing:					
Salaries and Wages	10,603	10,925	10,604	32,132	31,917
Purchased Services	-	-	-	-	159
Total	<u>10,603</u>	<u>10,925</u>	<u>10,604</u>	<u>32,132</u>	<u>32,076</u>
Property and Ownership:					
Purchased Services	1,776	1,776	1,776	5,328	6,136
Supplies and Expense	4,671	5,218	4,671	14,560	15,222
Total	<u>6,447</u>	<u>6,994</u>	<u>6,447</u>	<u>19,888</u>	<u>21,358</u>

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
DETAIL SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015				2014
	East	Central	West	Total	
OPERATING EXPENSES (Continued)					
Administrative:					
Salaries and Wages	\$ 101,201	\$ 105,328	\$ 99,929	\$ 306,458	\$ 291,888
Purchased Service	51,594	61,326	51,583	164,503	128,968
Supplies and Expense	28,245	39,025	28,094	95,364	115,468
Assessment	93,840	91,800	93,840	279,480	279,480
Total	<u>274,880</u>	<u>297,479</u>	<u>273,446</u>	<u>845,805</u>	<u>815,804</u>
Depreciation	214,241	315,592	214,292	744,125	744,125
Capital Outlay	-	9,521	-	9,521	259,586
Employee Benefits	978,028	1,040,494	988,307	3,006,829	2,880,071
Total Operating Expenses	<u>3,990,798</u>	<u>5,106,711</u>	<u>3,925,658</u>	<u>13,023,167</u>	<u>13,757,443</u>
Loss from Operations	<u>(452,306)</u>	<u>(651,165)</u>	<u>(277,488)</u>	<u>(1,380,959)</u>	<u>(1,415,951)</u>
Nonoperating Revenues:					
Tax Levy Funds	-	-	-	-	500,000
Nonoperating Rental Income	-	12,983	-	12,983	17,293
Interest Income	-	-	-	-	113
Grants and Donations	15,596	27,736	15,599	58,931	-
Intergovernmental Transfer Program Funds	301,767	301,767	301,767	905,301	807,299
Total Nonoperating Revenues	<u>317,363</u>	<u>342,486</u>	<u>317,366</u>	<u>977,215</u>	<u>1,324,705</u>
Nonoperating Expenses:					
Amortization of Debt Premium	(31,508)	(42,011)	(31,508)	(105,027)	(107,477)
Interest Expense	225,030	300,040	225,030	750,100	767,600
Total Nonoperating Expenses	<u>193,522</u>	<u>258,029</u>	<u>193,522</u>	<u>645,073</u>	<u>660,123</u>
NET LOSS BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS TO GENERAL COUNTY	<u>(328,465)</u>	<u>(566,708)</u>	<u>(153,644)</u>	<u>(1,048,817)</u>	<u>(751,369)</u>
Capital Contributions to General County	-	-	-	-	(3,786)
NET INCOME (LOSS)	<u>\$ (328,465)</u>	<u>\$ (566,708)</u>	<u>\$ (153,644)</u>	<u>\$ (1,048,817)</u>	<u>\$ (755,155)</u>