

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

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**



**CLAconnect.com**

**WEALTH ADVISORY  
OUTSOURCING  
AUDIT, TAX, AND  
CONSULTING**

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
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
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
SCHEDULE OF PROPORTIONATE SHARE OF WISCONSIN RETIREMENT SYSTEM PENSION PLAN ASSET/LIABILITY – LAST TEN FISCAL YEARS	29
SCHEDULE OF CONTRIBUTIONS TO WISCONSIN RETIREMENT SYSTEM PENSION PLAN – LAST TEN FISCAL YEARS	30
SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE LOCAL RETIREE LIFE INSURANCE FUND NET OPEB LIABILITY – LAST TEN FISCAL YEARS	31
SCHEDULE OF COUNTY'S CONTRIBUTIONS TO WISCONSIN LOCAL RETIREE LIFE INSURANCE FUND OPEB PLAN – LAST TEN FISCAL YEARS	32
<b>SUPPLEMENTARY INFORMATION</b>	
DETAIL SCHEDULE OF REVENUES AND EXPENSES	33
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>36</b>
<b>SCHEDULE OF FINDINGS AND RESPONSES</b>	<b>38</b>



## 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, 2019 and 2018, 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 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 The Neighbors of Dunn County as of December 31, 2019 and 2018, 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.

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the pension plan and other postemployment benefits (OPEB) 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2020 on our consideration of The Neighbors of Dunn County'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 solely 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 the effectiveness of The Neighbors of Dunn County's 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 The Neighbors of Dunn County's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Eau Claire, Wisconsin  
June 15, 2020

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ -	\$ 100,766
Accounts Receivable, Net of Allowance for Doubtful Accounts	1,881,103	1,206,816
Inventory	53,278	60,711
Prepaid Expenses	5,060	5,463
Total Current Assets	1,939,441	1,373,756
<b>Restricted Assets:</b>		
Restricted Cash - Resident Accounts	12,476	10,764
Restricted Cash and Investments - Bond Escrow	58,723	57,476
Wisconsin Retirement System Net Pension Asset	-	957,950
Total Restricted Assets	71,199	1,026,190
<b>Capital Assets:</b>		
Capital Assets Not Being Depreciated:		
Land	20,200	20,200
Capital Assets Being Depreciated:		
Other Capital Assets	22,320,738	22,320,738
Less: Accumulated Depreciation	(5,172,187)	(4,486,336)
Total Capital Assets	17,168,751	17,854,602
Total Assets	19,179,391	20,254,548
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Wisconsin Retirement System Pension Plan Related	2,874,421	1,762,120
State Life Insurance Other Post Employment Benefits Related	27,999	35,580
Total Deferred Outflows	2,902,420	1,797,700
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	295,702	320,581
Accrued Liabilities	183,357	235,698
Accrued Interest Payable	160,650	167,963
Unearned Revenue	35,488	32,045
Due to Dunn County	8,283,079	6,268,185
Vested Benefits	355,030	342,829
Patients Trust Fund Payable	12,476	10,764
Bonds Payable	1,005,000	975,000
Total Current Liabilities	10,330,782	8,353,065
<b>Noncurrent Liabilities:</b>		
Advance from Dunn County	32,500	32,500
Vested Benefits	426,432	389,828
Wisconsin Retirement System Net Pension Liability	1,062,462	-
State Life Insurance Net Other Postemployment Benefits Liability	220,032	311,448
Bonds Payable	16,199,219	17,295,218
Total Noncurrent Liabilities	17,940,645	18,028,994
Total Liabilities	28,271,427	26,382,059
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Wisconsin Retirement System Pension Plan Related	1,469,855	1,896,166
State Life Insurance Other Postemployment Benefits Related	73,857	10,183
Total Deferred Inflows of Resources	1,543,712	1,906,349
<b>NET POSITION</b>		
Net Investment in Capital Assets	(35,468)	(415,616)
Restricted	58,723	1,015,426
Unrestricted	(7,756,583)	(6,835,970)
Total Net Position Deficit	\$ (7,733,328)	\$ (6,236,160)

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, 2019 AND 2018**

	2019	2018
<b>OPERATING REVENUES</b>		
Resident Services	\$ 12,487,157	\$ 11,421,879
Other	149,456	125,838
Total Operating Revenues	12,636,613	11,547,717
<b>OPERATING EXPENSES</b>		
Nursing Services	6,586,504	5,532,995
Laboratory and Radiology	31,116	12,542
Pharmacy	207,807	215,520
Therapy	640,875	594,665
Physician	250,538	272,018
Social Services	220,120	209,134
Activities	194,364	191,297
Dietary	980,121	878,355
Transportation	21,921	8,431
Plant Operations and Maintenance	648,153	580,164
Housekeeping	98,816	118,687
Laundry and Linen	10,993	18,634
Medical Records	48,326	45,226
Purchasing	34,869	32,818
Property and Ownership	87,338	85,749
Administrative	838,629	940,376
Depreciation	685,851	685,669
Employee Benefits	2,866,769	2,747,666
Total Operating Expenses	14,453,110	13,169,946
<b>LOSS FROM OPERATIONS</b>	(1,816,497)	(1,622,229)
<b>NONOPERATING REVENUES</b>		
Rental Income	10,980	10,980
Sale of Property	-	100,766
Interest Income	2,864	1,910
Grants and Donations	-	96
Intergovernmental Transfer Program Funds	864,399	803,100
Total Nonoperating Revenues	878,243	916,852
<b>NONOPERATING EXPENSES</b>		
Amortization of Debt Premium	(90,999)	(95,063)
Interest Expense	649,913	678,938
Total Nonoperating Expenses	558,914	583,875
<b>NET LOSS</b>	(1,497,168)	(1,289,252)
Net Position - Beginning of Year	(6,236,160)	(4,946,908)
<b>NET POSITION - END OF YEAR</b>	\$ (7,733,328)	\$ (6,236,160)

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, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Residents and Third-Party Payers	\$ 12,841,148	\$ 12,148,206
Paid to Suppliers for Goods and Services	(5,367,074)	(4,148,165)
Paid to Employees for Services	(7,957,413)	(7,997,385)
Net Cash Provided (Used) by Operating Activities	(483,339)	2,656
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash Flow Borrowing from (Repayment to) Other Funds	2,014,894	1,639,849
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Capital Assets	-	(14,434)
Proceeds from Sale of Property	-	100,766
Payment of Debt Principal	(975,000)	(945,000)
Payment of Debt Interest Costs	(657,226)	(686,025)
Net Cash Used by Capital and Related Financing Activities	(1,632,226)	(1,544,693)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income	2,864	1,910
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(97,807)	99,722
Cash and Cash Equivalents - Beginning of Year	169,006	69,284
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 71,199	\$ 169,006

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, 2019 AND 2018**

	2019	2018
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (1,816,497)	\$ (1,622,229)
Adjustments to Reconcile Operating Loss to Net Cash		
Provided (Used) by Operating Activities:		
Change in Wisconsin Retirement System Pension Items:		
Asset/Liability	2,020,412	(1,255,643)
Deferred Outflows of Resources	(1,112,301)	547,827
Deferred Inflows of Resources	(426,311)	959,944
Change in State Life Insurance OPEB Items:		
Asset/Liability	(91,416)	53,434
Deferred Outflows of Resources	7,581	(35,580)
Deferred Inflows of Resources	63,674	10,183
Rental Income Received	10,980	10,980
Intergovernmental Transfer Program Funds Received	864,399	803,100
Grants and Donations	-	96
Noncash Items Included in Income:		
Depreciation	685,851	685,669
Change in Assets and Liabilities:		
Accounts Receivable	(674,287)	(245,732)
Inventory	7,433	(6,414)
Prepaid Expenses	403	(348)
Accounts Payable	(24,879)	135,526
Accrued Liabilities	(52,341)	(2,642)
Unearned Revenue	3,443	32,045
Patient Trust Payable	1,712	(2,664)
Vested Benefits	48,805	8,952
Single-Employer OPEB Plan	-	(73,848)
Net Cash Provided (Used) by Operating Activities	\$ (483,339)	\$ 2,656
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION</b>		
Cash and Cash Equivalents	\$ -	\$ 100,766
Restricted Cash	71,199	68,240
Total	\$ 71,199	\$ 169,006

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, 2019 AND 2018**

**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 NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus and Basis of Accounting (Continued)**

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.

**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.

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 \$352,068 and \$165,532 at December 31, 2019 and 2018, respectively. All accounts receivable are uncollateralized.

**Inventories**

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

**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 acquisition 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 reports 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 plan and OPEB related items.

**Deferred Inflows of Resources**

The Neighbors' reports 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 Neighbors reports deferred inflows of resources for Wisconsin Retirement System pension plan and OPEB related items.

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**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.

**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.

**Other Postemployment Benefits (OPEB) – Multiple Employer Plan**

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity Classifications**

Equity is classified as net position and displayed in three 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.

**Restricted Net Position** – Represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties.

**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.

**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 OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)**

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 was zero at both December 31, 2019 and 2018. Due to limited available cash, Dunn County has paid for costs on behalf of The Neighbors, resulting in a liability due to Dunn County of \$8,283,079 and \$6,268,185 at December 31, 2019 and 2018, 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 \$12,476 and \$10,764 on December 31, 2019 and 2018, 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. Total cash and investments held in escrow was \$58,723 and \$57,476 at 2019 and 2018, respectively.

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 4 CAPITAL ASSETS**

Changes in capital assets during 2019 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	1,286,878	-	-	1,286,878
Major Moveable Equipment	128,269	-	-	128,269
Total Capital Assets Being Depreciated	22,320,738	-	-	22,320,738
Less: Accumulated Depreciation:				
Land Improvements	197,699	32,950	-	230,649
Buildings	3,470,844	578,474	-	4,049,318
Fixed Equipment	706,269	68,547	-	774,816
Major Moveable Equipment	111,524	5,880	-	117,404
Total Accumulated Depreciation	4,486,336	685,851	-	5,172,187
Net Capital Assets	<u>\$ 17,854,602</u>	<u>\$ (685,851)</u>	<u>\$ -</u>	<u>\$ 17,168,751</u>

Changes in capital assets during 2018 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	1,272,444	14,434	-	1,286,878
Major Moveable Equipment	128,269	-	-	128,269
Total Capital Assets Being Depreciated	22,306,304	14,434	-	22,320,738
Less: Accumulated Depreciation:				
Land Improvements	164,749	32,950	-	197,699
Buildings	2,892,370	578,474	-	3,470,844
Fixed Equipment	637,904	68,365	-	706,269
Major Moveable Equipment	105,644	5,880	-	111,524
Total Accumulated Depreciation	3,800,667	685,669	-	4,486,336
Net Capital Assets	<u>\$ 18,525,837</u>	<u>\$ (671,235)</u>	<u>\$ -</u>	<u>\$ 17,854,602</u>

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 5 VESTED BENEFITS**

As of December 31, 2019 and 2018, vested vacation pay benefits payable were \$300,598 and \$274,805, respectively, and vested sick leave payable were \$480,864 and \$457,852, respectively. The changes in vested benefits during 2019 and 2018 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
2019	\$ 732,657	\$ 506,657	\$ 457,852	\$ 781,462	\$ 355,030
2018	723,705	441,524	432,572	732,657	342,829

**NOTE 6 LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the years ended December 31 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>2019</b>					
Bonds Payable	\$ 17,550,000	\$ -	\$ 975,000	\$ 16,575,000	\$ 1,005,000
Debt Premium	720,218	-	90,999	629,219	N/A
<b>2018</b>					
Bonds Payable	\$ 18,495,000	\$ -	\$ 945,000	\$ 17,550,000	\$ 975,000
Debt Premium	815,281	-	95,063	720,218	N/A

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

Year	Principal	Interest	Total
2020	\$ 1,005,000	\$ 627,525	\$ 1,632,525
2021	1,035,000	596,925	1,631,925
2022	1,075,000	559,900	1,634,900
2023	1,115,000	516,100	1,631,100
2024	1,160,000	470,600	1,630,600
2025-2029	6,565,000	1,601,500	8,166,500
2030-2032	4,620,000	282,000	4,902,000
Total	<u>\$ 16,575,000</u>	<u>\$ 4,654,550</u>	<u>\$ 21,229,550</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.

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**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.

**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:

	<u>2019</u>	<u>2018</u>
Total Resident Service Revenue	\$ 14,736,828	\$ 14,370,921
Revenue Adjustments:		
Contractual Adjustments	(2,193,371)	(2,927,160)
Provision for Bad Debts	<u>(56,300)</u>	<u>(21,882)</u>
Total Contractual Adjustments and Provisions for Bad Debts	<u>(2,249,671)</u>	<u>(2,949,042)</u>
Net Resident Service Revenue	<u>\$ 12,487,157</u>	<u>\$ 11,421,879</u>

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 7 OPERATING REVENUES (CONTINUED)**

**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 2019, The Neighbors recognized \$864,399 of ITP revenue. This entire amount was received in 2019. In 2018, The Neighbors recognized \$803,100 of ITP revenue. This entire amount was received in 2018.

**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 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 a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual 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 contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 8 EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

**General Information about the Pension Plan (Continued)**

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.

*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 reporting period ending December 31, 2019, the WRS recognized \$1,588,652 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, 2019 are:

	<u>Employee</u>	<u>Employer</u>
General (Including Teachers)	6.55%	6.55%
Executives & Elected Officials	6.55%	6.55%
Protective with Social Security	6.55%	10.55%
Protective without Social Security	6.55%	14.95%

*Postretirement 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:

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 8 EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

**General Information about the Pension Plan (Continued)**

Year	Core Fund Adjustment	Variable Fund Adjustment
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
2018	2.4	17.0

**Pension Asset/Liability, 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, 2019, the County reported a liability of \$5,446,153 for its proportionate share of the net pension liability, in which \$1,062,462 was allocated to The Neighbors. The County's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the County's proportion was 0.15308133 percent, which was a decrease of 0.00057368 from its proportion measured as of December 31, 2017.

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 8 EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

For the year ended December 31, 2019, the County recognized pension expense of \$3,709,316. At December 31, 2019, 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	\$ 4,241,729	\$ 7,497,851
Changes of Assumptions	918,022	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	7,953,735	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	35,446	36,582
County Contributions Subsequent to the Measurement Date	<u>1,588,652</u>	<u>-</u>
Total	<u>\$ 14,737,584</u>	<u>\$ 7,534,433</u>

Of the above amounts, \$2,874,421 of deferred outflows of resources and \$1,469,855 of deferred inflows of resources were allocated to The Neighbors. \$1,588,652 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Of these contributions, \$309,262 are allocated to The Neighbors and will reduce the net pension liability in the subsequent year. 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>	<u>Pension Expense Amount</u>
2020	\$ 2,043,813
2021	505,879
2022	882,863
2023	2,181,944
2024	-
Thereafter	-

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 8 EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

*Actuarial Assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset):	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Inflation:	3.0%
Salary Increases:	3.1% to 8.6% including inflation
Mortality:	Wisconsin 2018 Mortality Table
Postretirement Adjustments*:	1.9%

\*No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 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:

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 8 EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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
Global Equity	49%	5.5%	N/A	N/A
U.S. Equity	N/A	N/A	70%	5.0%
International Equity	N/A	N/A	30%	5.9%
Fixed Income	25%	1.5%	N/A	N/A
Inflation Sensitive Assets	15%	1.3%	N/A	N/A
Real Estate	9%	3.9%	N/A	N/A
Private Equity/Debt	8%	6.7%	N/A	N/A
Multi-Asset	4%	4.1%	N/A	N/A
Cash	-10%	0.9%	N/A	N/A
Totals	<u>100%</u>		<u>100%</u>	

*Discount Rate.* A single discount rate of 7.00% was used to measure the Total Pension Liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% 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 municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*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 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 8 EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
County's Proportionate Share of the Net Pension Liability (Asset)	\$ 21,643,585	\$ 5,446,153	\$ (6,597,893)

*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://etf.wi.gov/publications/cafr.htm>.

**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, 2019.

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.

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 10 OTHER POST-EMPLOYMENT BENEFITS**

**General Information about the Other Postemployment Benefits Plan**

*Plan Description.* The LRLIF is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible employees. ETF issues a standalone Comprehensive Annual Financial Report, which can be found at <http://etf.wi.gov/publications/cafr.htm>.

*Benefits Provided.* The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

*Contributions.* The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of December 31, 2019 are:

<b>Coverage Type</b>	<b>Employer Contribution</b>
50% Postretirement Coverage	40% of employee contribution
25% Postretirement Coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2019 are:

<b>Attained Age</b>	<b>Basic</b>
Under 30	\$0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**General Information about the Other Postemployment Benefits Plan (Continued)**

During the fiscal year, the LRLIF recognized \$8,295 in contributions from the Dunn County as a whole, including The Neighbors of Dunn County, an enterprise fund.

**OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

At December 31, 2019, the County reported a liability of \$1,111,039 for its proportionate share of the net OPEB liability in which \$220,032 was allocated to The Neighbors. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 and rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The County's proportion of the net OPEB liability was based on the County's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the County's proportion was 0.430579%, which was a decrease of 0.023135 from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the County recognized OPEB expense of \$97,670. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 56,362
Changes of Assumptions or Other Input	106,010	240,829
Net Difference Between Projected and Actual Earnings on OPEB Investments	26,552	-
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	75,742
County Contributions Subsequent to the Measurement Date	8,815	-
Total	<u>\$ 141,377</u>	<u>\$ 372,933</u>

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)**

Of the above amounts, \$27,999 of deferred outflows of resources and \$73,857 of deferred inflows of resources were allocated to The Neighbors. \$8,815 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>OPEB Expense</u>
2020	\$ (34,573)
2021	(34,573)
2022	(34,573)
2023	(38,302)
2024	(42,143)
Thereafter	(56,207)

*Actuarial Assumptions.* The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2018
Measurement Date of Net OPEB Liability (Asset)	December 31, 2018
Actuarial Cost Method	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	4.10%
Long-Term Expected Rate of Return	5.00%
Discount Rate	4.22%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total OPEB Liability changed from prior year, including the discount rate, wage inflation rate, mortality and separation rates. The Total OPEB Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)**

*Long-Term Expected Return on Plan Assets.* The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
U.S. Government Bonds	Barclays Government	1%	1.44%
U.S. Credit Bonds	Barclays Credit	40%	2.69%
U.S. Long Credit Bonds	Barclays Long Credit	4%	3.01%
U.S. Mortgages	Barclays MBS	54%	2.25%
U.S. Municipal Bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

*Single Discount Rate.* A single discount rate of 4.22% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 3.63% for the prior year. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)**

*Sensitivity of the County's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate.* The following presents the County's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 4.22%, as well as what the County's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.22%) or 1-percentage-point higher (5.22%) than the current rate:

		<u>1% Decrease (3.22%)</u>	<u>Current Discount Rate (4.22%)</u>	<u>1% Increase (5.22%)</u>
the Net OPEB Liability (Asset)	12/31/19	<u>\$ 1,580,527</u>	<u>\$ 1,111,039</u>	<u>\$ 748,936</u>

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

**REQUIRED SUPPLEMENTARY INFORMATION**

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
SCHEDULE OF PROPORTIONATE SHARE OF  
WISCONSIN RETIREMENT SYSTEM PENSION PLAN ASSET/LIABILITY  
LAST TEN FISCAL YEARS  
(SHOWN PROSPECTIVELY FROM IMPLEMENTATION)**

Measurement Date: December 31,	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
County's Proportion of the Net Pension Liability (Asset)	0.15155089%	0.15133729%	0.15184284%	0.15365501%	0.15308133%
County's Proportionate Share of the Net Pension Liability (Asset)	\$ (3,722,504)	\$ 2,459,202	\$ 1,251,548	\$ (4,562,199)	\$ 5,446,153
County's Covered Payroll	\$ 19,744,668	\$ 21,336,516	\$ 21,305,587	\$ 21,490,070	\$ 22,425,438
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	-18.85%	11.53%	5.87%	-21.23%	24.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	102.74%	98.20%	99.12%	102.93%	96.45%

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

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
SCHEDULE OF CONTRIBUTIONS TO  
WISCONSIN RETIREMENT SYSTEM PENSION PLAN  
LAST TEN FISCAL YEARS  
(SHOWN PROSPECTIVELY FROM IMPLEMENTATION)**

Year Ended: December 31,	2015	2016	2017	2018	2019
Contractually Required Contribution	\$ 1,498,650	\$ 1,471,175	\$ 1,531,118	\$ 1,580,082	\$ 1,588,652
Contributions	(1,498,650)	(1,471,175)	(1,531,118)	(1,580,082)	(1,588,652)
Contribution Deficiency (Excess)	<u>\$ -</u>				
County's Covered Payroll	\$ 21,336,514	\$ 21,305,587	\$ 21,490,071	\$ 22,425,438	\$ 22,586,313
Contributions as a Percentage of Covered Payroll	7.02%	6.91%	7.12%	7.05%	7.03%

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.* Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE LOCAL RETIREE LIFE  
INSURANCE FUND NET OPEB LIABILITY  
LAST TEN FISCAL YEARS  
(SHOWN PROSPECTIVELY FROM IMPLEMENTATION)**

Measurement Date: December 31,	<u>2017</u>	<u>2018</u>
County's Proportion of the Net OPEB Liability (Asset)	0.45371400%	0.43057900%
County's Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,365,035	\$ 1,111,039
County's Covered Payroll	\$ 19,079,972	\$ 18,954,000
County's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	7.15%	5.86%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	44.81%	48.69%

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

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
SCHEDULE OF COUNTY'S CONTRIBUTIONS TO  
WISCONSIN LOCAL RETIREE LIFE INSURANCE FUND OPEB PLAN  
LAST TEN FISCAL YEARS  
(SHOWN PROSPECTIVELY FROM IMPLEMENTATION)**

Year Ended: December 31,	2018	2019
Contractually Required Contributions	\$ 8,318	\$ 8,295
Contributions in Relation to the Contractually Required Contributions	(8,318)	(8,295)
Contribution Deficiency (Excess)	\$ -	\$ -
County's Covered Payroll	\$ 19,079,972	\$ 18,954,000
Contributions as a Percentage of Covered Payroll	0.04%	0.04%

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 LRLIF.

*Changes of Assumptions.* Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total OPEB Liability changed, including the discount rate, wage inflation rate, and mortality and separation rates.

## **SUPPLEMENTARY INFORMATION**

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
DETAIL SCHEDULE OF REVENUES AND EXPENSES  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019				2018
	East	Central	West	Total	
<b>OPERATING REVENUES</b>					
Resident Services	\$ 4,013,823	\$ 4,552,014	\$ 3,921,320	\$ 12,487,157	\$ 11,421,879
Other Revenue:					
Cafeteria	2,070	33,525	3,943	39,538	37,527
Other Operating Revenue	21	103,306	21	103,348	82,221
OBRA Level I Screens	870	5,130	570	6,570	6,090
Total Other Revenue	<u>2,961</u>	<u>141,961</u>	<u>4,534</u>	<u>149,456</u>	<u>125,838</u>
Total Operating Revenues	4,016,784	4,693,975	3,925,854	12,636,613	11,547,717
<b>OPERATING EXPENSES</b>					
Nursing Services:					
Salaries and Wages	1,418,900	1,628,362	1,352,417	4,399,679	4,333,626
Purchased Services	832,084	492,008	678,243	2,002,335	1,018,115
Supplies and Expenses	54,359	66,558	63,573	184,490	181,254
Total	<u>2,305,343</u>	<u>2,186,928</u>	<u>2,094,233</u>	<u>6,586,504</u>	<u>5,532,995</u>
Laboratory and Radiology:					
Supplies and Expense	3,792	24,363	2,961	31,116	12,542
Pharmacy:					
Drugs and Medicines	36,061	140,256	23,784	200,101	208,627
Purchased Services	2,766	2,484	2,456	7,706	6,893
Total	<u>38,827</u>	<u>142,740</u>	<u>26,240</u>	<u>207,807</u>	<u>215,520</u>
Therapy:					
Purchased Services	685	710	545	1,940	2,011
Supplies and Expense	69,800	520,280	48,855	638,935	592,654
Total	<u>70,485</u>	<u>520,990</u>	<u>49,400</u>	<u>640,875</u>	<u>594,665</u>
Physician:					
Purchased Services	79,269	97,439	74,286	250,994	272,018
Social Services:					
Salaries and Wages	60,825	91,843	67,087	219,755	208,632
Supplies and Expense	140	85	140	365	502
Total	<u>60,965</u>	<u>91,928</u>	<u>67,227</u>	<u>220,120</u>	<u>209,134</u>

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
DETAIL SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019				2018
	East	Central	West	Total	
<b>OPERATING EXPENSES (Continued)</b>					
Patient Activities:					
Salaries and Wages	\$ 48,060	\$ 88,189	\$ 48,099	\$ 184,348	\$ 179,363
Purchased Services	1,895	2,045	1,525	5,465	6,231
Supplies and Expense	1,412	1,862	1,277	4,551	5,703
Total	<u>51,367</u>	<u>92,096</u>	<u>50,901</u>	<u>194,364</u>	<u>191,297</u>
Dietary:					
Salaries and Wages	140,305	223,517	140,305	504,127	460,593
Purchased Services	35	45	35	115	20
Supplies and Expense	124,026	228,313	123,540	475,879	417,742
Total	<u>264,366</u>	<u>451,875</u>	<u>263,880</u>	<u>980,121</u>	<u>878,355</u>
Transportation:					
Supplies and Expense	4,717	12,171	5,033	21,921	8,431
Plant Operations and Maintenance:					
Purchased Services	80,644	106,204	80,670	267,518	270,097
Supplies and Expense	38,967	62,120	31,888	132,975	72,051
Utilities	63,805	112,814	71,041	247,660	238,016
Total	<u>183,416</u>	<u>281,138</u>	<u>183,599</u>	<u>648,153</u>	<u>580,164</u>
Housekeeping:					
Purchased Services	11,015	19,639	11,144	41,798	78,775
Supplies and Expense	19,581	19,364	18,073	57,018	39,912
Total	<u>30,596</u>	<u>39,003</u>	<u>29,217</u>	<u>98,816</u>	<u>118,687</u>
Laundry and Linen:					
Purchased Services	-	170	-	170	171
Supplies and Expense	2,796	5,172	2,855	10,823	18,463
Total	<u>2,796</u>	<u>5,342</u>	<u>2,855</u>	<u>10,993</u>	<u>18,634</u>
Medical Records:					
Salaries and Wages	15,702	16,178	15,702	47,582	44,599
Supplies and Expense	203	248	293	744	627
Total	<u>15,905</u>	<u>16,426</u>	<u>15,995</u>	<u>48,326</u>	<u>45,226</u>
Purchasing:					
Salaries and Wages	11,501	11,849	11,501	34,851	32,637
Purchased Services	-	18	-	18	181
Total	<u>11,501</u>	<u>11,867</u>	<u>11,501</u>	<u>34,869</u>	<u>32,818</u>

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
DETAIL SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019				2018
	East	Central	West	Total	
<b>OPERATING EXPENSES (Continued)</b>					
Property and Ownership:					
Purchased Services	\$ 2,496	\$ 2,506	\$ 2,496	\$ 7,498	\$ 5,772
Supplies and Expense	26,564	26,712	26,564	79,840	79,977
Total	<u>29,060</u>	<u>29,218</u>	<u>29,060</u>	<u>87,338</u>	<u>85,749</u>
Administrative:					
Salaries and Wages	29,119	93,116	36,170	158,405	202,896
Purchased Service	104,629	104,690	104,503	313,822	357,779
Supplies and Expense	25,835	37,534	23,553	86,922	100,221
Assessment	93,840	91,800	93,840	279,480	279,480
Total	<u>253,423</u>	<u>327,140</u>	<u>258,066</u>	<u>838,629</u>	<u>940,376</u>
Depreciation	198,862	288,126	198,863	685,851	685,669
Employee Benefits	<u>922,473</u>	<u>1,104,160</u>	<u>840,136</u>	<u>2,866,769</u>	<u>2,747,666</u>
Total Operating Expenses	<u>4,527,163</u>	<u>5,722,950</u>	<u>4,202,997</u>	<u>14,453,110</u>	<u>13,169,946</u>
Loss from Operations	(510,379)	(1,028,975)	(277,143)	(1,816,497)	(1,622,229)
Nonoperating Revenues:					
Nonoperating Rental Income	-	10,980	-	10,980	10,980
Sale of Property	-	-	-	-	100,766
Interest Income	683	1,521	660	2,864	1,910
Grants and Donations	-	-	-	-	96
Intergovernmental Transfer Program Funds	<u>288,133</u>	<u>288,133</u>	<u>288,133</u>	<u>864,399</u>	<u>803,100</u>
Total Nonoperating Revenues	<u>288,816</u>	<u>300,634</u>	<u>288,793</u>	<u>878,243</u>	<u>916,852</u>
Nonoperating Expenses:					
Amortization of Debt Premium	(27,300)	(36,399)	(27,300)	(90,999)	(95,063)
Interest Expense	<u>194,974</u>	<u>259,965</u>	<u>194,974</u>	<u>649,913</u>	<u>678,938</u>
Total Nonoperating Expenses	<u>167,674</u>	<u>223,566</u>	<u>167,674</u>	<u>558,914</u>	<u>583,875</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (389,237)</u>	<u>\$ (951,907)</u>	<u>\$ (156,024)</u>	<u>\$ (1,497,168)</u>	<u>\$ (1,289,252)</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 Supervisors  
The Neighbors of Dunn County  
Menomonie, 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 The Neighbors of Dunn County, which comprise the statement of net position as of December 31, 2019, 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 15, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered The Neighbors of Dunn County'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 The Neighbors of Dunn County's internal control. Accordingly, we do not express an opinion on the effectiveness of The Neighbors of Dunn County'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 and significant deficiencies.

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 items 2019-001 and 2019-002 in the accompanying Schedule of Findings and Responses to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. We consider item 2019-003 in the accompanying Schedule of Findings and Responses to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Neighbors of Dunn County'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*.

### **The Neighbors of Dunn County's Response to Findings**

The Neighbors of Dunn County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Neighbors of Dunn County'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 Neighbors of Dunn County'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 Neighbors of Dunn County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Eau Claire, Wisconsin  
June 15, 2020

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2019**

**FINDING: 2019-001**

**ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

**Criteria:**

The County is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including related disclosures, in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Condition:**

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

**Context:**

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

**Cause:**

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

**Effect:**

The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the County's internal controls.

**Recommendation:**

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

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2019**

**FINDING: 2019-002**

**MATERIAL AUDIT ADJUSTMENTS**

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

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

**Context:** The County has informed us that they will continue to rely upon the audit firm to propose such audit adjustments as are necessary to adjust accounts in accordance with Generally Accepted Accounting Principles (GAAP). Management will review and approve those entries prior to recording them.

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

**Effect:** The financial statements of the County may include inaccurate information not detected or prevented by County staff.

**Recommendation:** The County 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.

**THE NEIGHBORS OF DUNN COUNTY  
AN ENTERPRISE FUND OF DUNN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2019**

**FINDING: 2019-003 LIMITED SEGREGATION OF DUTIES**

- Criteria:** Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.
- Condition:** The available staff precludes a proper separation of duties to assure adequate internal control.
- Context:** The limited size of the County's staff responsible for accounting and financial duties precludes a complete segregation of incompatible duties. The County has informed us that it may not be cost effective to hire the additional personnel required to achieve complete segregation of duties.
- Cause:** The condition is due to limited staff available.
- Effect:** The potential exists that the design of the internal controls over financial reporting could affect the ability of the County 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 County's inability to prevent/detect misappropriation of County assets.
- Recommendation:** The County should continue to evaluate its staffing in order to segregate incompatible duties whenever possible.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,  
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

