

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
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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, 2018 and 2017, 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, 2018 and 2017, 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, 2018, the organization adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of GASB Statement No. 75, the organization reported a restatement for the change in accounting principle (see Note 11). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 April 15, 2019 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
April 15, 2019

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 100,766	\$ -
Accounts Receivable, Net of Allowance for Doubtful Accounts	1,206,816	961,084
Inventory	60,711	54,297
Prepaid Expenses	5,463	5,115
Total Current Assets	1,373,756	1,020,496
Restricted Assets:		
Restricted Cash - Resident Accounts	10,764	13,228
Restricted Cash and Investments - Bond Escrow	57,476	56,056
Wisconsin Retirement System Net Pension Asset	957,950	-
Total Restricted Assets	1,026,190	69,284
Capital Assets:		
Capital Assets Not Being Depreciated:		
Land	20,200	20,200
Capital Assets Being Depreciated:		
Other Capital Assets	22,320,738	22,306,304
Less: Accumulated Depreciation	(4,486,336)	(3,800,667)
Total Capital Assets	17,854,602	18,525,837
Total Assets	20,254,548	19,615,617
DEFERRED OUTFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	1,762,120	2,309,947
State Life Insurance Other Post Employment Benefits Related	35,580	-
Total Deferred Outflows	1,797,700	2,309,947
LIABILITIES		
Current Liabilities:		
Accounts Payable	320,581	185,055
Accrued Liabilities	235,698	238,340
Accrued Interest Payable	167,963	175,050
Unearned Revenue	32,045	-
Due to Dunn County	6,268,185	4,628,336
Vested Benefits	342,829	340,591
Patients Trust Fund Payable	10,764	13,428
Bonds Payable	975,000	945,000
Total Current Liabilities	8,353,065	6,525,800
Noncurrent Liabilities:		
Advance from Dunn County	32,500	32,500
Vested Benefits	389,828	383,114
Single-Employer Total Other Post Employment Benefit Liability	-	73,848
Wisconsin Retirement System Net Pension Liability	-	297,693
State Life Insurance Net Other Post Employment Benefits Liability	311,448	-
Bonds Payable	17,295,218	18,365,281
Total Noncurrent Liabilities	18,028,994	19,152,436
Total Liabilities	26,382,059	25,678,236
DEFERRED INFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	1,896,166	936,222
State Life Insurance Other Post Employment Benefits Related	10,183	-
Total Deferred Inflows of Resources	1,906,349	936,222
NET POSITION		
Net Investment in Capital Assets	(415,616)	(784,444)
Restricted	1,015,426	55,856
Unrestricted	(6,835,970)	(3,960,306)
Total Net Position Deficit	\$ (6,236,160)	\$ (4,688,894)

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, 2018 AND 2017**

	2018	2017
OPERATING REVENUES		
Resident Services	\$ 11,421,879	\$ 11,335,085
Other	125,838	59,477
Total Operating Revenues	11,547,717	11,394,562
OPERATING EXPENSES		
Nursing Services	5,532,995	4,973,595
Laboratory and Radiology	12,542	21,548
Pharmacy	215,520	215,703
Therapy	594,665	608,985
Physician	272,018	143,472
Social Services	209,134	182,302
Activities	191,297	174,941
Dietary	878,355	786,982
Transportation	8,431	7,257
Plant Operations and Maintenance	580,164	504,418
Housekeeping	118,687	114,012
Laundry and Linen	18,634	16,216
Medical Records	45,226	41,682
Purchasing	32,818	30,036
Property and Ownership	85,749	24,568
Administrative	940,376	980,670
Depreciation	685,669	744,126
Employee Benefits	2,747,666	2,816,145
Total Operating Expenses	13,169,946	12,386,658
LOSS FROM OPERATIONS	(1,622,229)	(992,096)
NONOPERATING REVENUES		
Rental Income	10,980	10,980
Sale of Property	100,766	-
Interest Income	1,910	871
Grants and Donations	96	-
Intergovernmental Transfer Program Funds	803,100	1,088,111
Total Nonoperating Revenues	916,852	1,099,962
NONOPERATING EXPENSES		
Amortization of Debt Premium	(95,063)	(99,006)
Interest Expense	678,938	707,100
Total Nonoperating Expenses	583,875	608,094
NET LOSS	(1,289,252)	(500,228)
Net Position - Beginning of Year	(4,688,894)	(4,188,666)
Change in Accounting Principle	(258,014)	-
Net Position - Beginning of Year, Restated	(4,946,908)	(4,188,666)
NET POSITION - END OF YEAR	\$ (6,236,160)	\$ (4,688,894)

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, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Residents and Third-Party Payers	\$ 12,148,206	\$ 12,510,392
Paid to Suppliers for Goods and Services	(4,148,165)	(3,279,460)
Paid to Employees for Services	(7,997,385)	(8,238,747)
Net Cash Provided (Used) by Operating Activities	2,656	992,185
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Flow Borrowing from (Repayment to) Other Funds	1,639,849	643,394
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(14,434)	-
Proceeds from Sale of Property	100,766	-
Payment of Debt Principal	(945,000)	(920,000)
Payment of Debt Interest Costs	(686,025)	(714,000)
Net Cash Used by Capital and Related Financing Activities	(1,544,693)	(1,634,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	1,910	871
NET CHANGE IN CASH AND CASH EQUIVALENTS	99,722	2,450
Cash and Cash Equivalents - Beginning of Year	69,284	66,834
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 169,006	\$ 69,284

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, 2018 AND 2017**

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,622,229)	\$ (992,096)
Adjustments to Reconcile Operating Loss to Net Cash		
Provided (Used) by Operating Activities:		
Change in Wisconsin Retirement System Pension Items:		
Asset/Liability	(1,255,643)	(276,494)
Deferred Outflows of Resources	547,827	870,834
Deferred Inflows of Resources	959,944	(272,147)
Change in State Life Insurance OPEB Items:		
Asset/Liability	53,434	-
Deferred Outflows of Resources	(35,580)	-
Deferred Inflows of Resources	10,183	-
Rental Income Received	10,980	10,980
Intergovernmental Transfer Program Funds Received	803,100	1,088,111
Grants and Donations	96	-
Noncash Items Included in Income:		
Depreciation	685,669	744,126
Change in Assets and Liabilities:		
Accounts Receivable	(245,732)	19,896
Inventory	(6,414)	(1,835)
Prepaid Expenses	(348)	5,758
Accounts Payable	135,526	(13,527)
Accrued Liabilities	(2,642)	(46,681)
Unearned Revenue	32,045	-
Due to Other Governments	-	(3,157)
Patient Trust Payable	(2,664)	2,450
Vested Benefits	8,952	(127,312)
Single-Employer OPEB Plan	(73,848)	(16,721)
Net Cash Provided (Used) by Operating Activities	\$ 2,656	\$ 992,185
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and Cash Equivalents	\$ 100,766	\$ -
Restricted Cash	68,240	69,284
Total	\$ 169,006	\$ 69,284

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, 2018 AND 2017**

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, 2018 AND 2017**

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 \$165,532 and \$196,671 at December 31, 2018 and 2017, 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, 2018 AND 2017**

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:

	Estimated Useful Lives
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.

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.

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2018 AND 2017**

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 \$100,766 and zero at December 31, 2018 and 2017, respectively. 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 \$6,268,185 and \$4,628,336 at December 31, 2018 and 2017, 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 \$10,764 and \$13,228 on December 31, 2018 and 2017, 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 \$57,476 and \$56,056 at 2018 and 2017, respectively.

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 CAPITAL ASSETS

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>

Changes in capital assets during 2017 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	-	-	1,272,444
Major Moveable Equipment	128,269	-	-	128,269
Total Capital Assets Being Depreciated	22,306,304	-	-	22,306,304
Less: Accumulated Depreciation:				
Land Improvements	131,799	32,950	-	164,749
Buildings	2,313,896	578,474	-	2,892,370
Fixed Equipment	513,236	124,668	-	637,904
Major Moveable Equipment	97,610	8,034	-	105,644
Total Accumulated Depreciation	3,056,541	744,126	-	3,800,667
Net Capital Assets	<u>\$ 19,269,963</u>	<u>\$ (744,126)</u>	<u>\$ -</u>	<u>\$ 18,525,837</u>

**THE NEIGHBORS OF DUNN COUNTY
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NOTE 5 VESTED BENEFITS

As of December 31, 2018 and 2017, vested vacation pay benefits payable were \$274,805 and \$266,108 respectively, and vested sick leave payable were \$457,852 and \$457,597 respectively. The changes in vested benefits during 2018 and 2017 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
2018	\$ 723,705	\$ 441,524	\$ 432,572	\$ 732,657	\$ 342,829
2017	851,017	291,977	419,289	723,705	340,591

NOTE 6 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended December 31, 2018 and 2017, respectively, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
2018					
Bonds Payable	\$ 18,495,000	\$ -	\$ 945,000	\$ 17,550,000	\$ 975,000
Debt Premium	815,281	-	95,063	720,218	N/A
2017					
Bonds Payable	\$ 19,415,000	\$ -	\$ 920,000	\$ 18,495,000	\$ 945,000
Debt Premium	914,287	-	99,006	815,281	N/A

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

Year	Principal	Interest	Total
2019	\$ 975,000	\$ 657,225	\$ 1,632,225
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
2024-2028	6,305,000	1,858,900	8,163,900
2029-2032	6,040,000	495,200	6,535,200
	<u>\$ 17,550,000</u>	<u>\$ 5,311,775</u>	<u>\$ 22,861,775</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
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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>2018</u>	<u>2017</u>
Total Resident Service Revenue	\$ 14,370,921	\$ 14,633,531
Revenue Adjustments:		
Contractual Adjustments	(2,927,160)	(3,146,532)
Provision for Bad Debts	(21,882)	(151,914)
Total Contractual Adjustments and Provisions for Bad Debts	<u>(2,949,042)</u>	<u>(3,298,446)</u>
Net Resident Service Revenue	<u>\$ 11,421,879</u>	<u>\$ 11,335,085</u>

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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 2018, The Neighbors recognized \$803,100 of ITP revenue. This entire amount was received in 2018. In 2017, The Neighbors recognized \$1,088,111 of ITP revenue. This entire amount was received in 2017.

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.

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NOTE 8 EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

General Information about the Pension Plan (Continued)

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, 2018, the WRS recognized \$1,629,150 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, 2018 are:

	<u>Employee</u>	<u>Employer</u>
General (Including Teachers)	6.70%	6.70%
Executives & Elected Officials	6.70%	6.70%
Protective with Social Security	6.70%	10.70%
Protective without Social Security	6.70%	14.90%

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

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

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NOTE 8 EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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, 2018, the County reported an asset of \$4,562,199 for its proportionate share of the net pension asset, in which \$957,950 was allocated to The Neighbors. The County's net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the County's proportion was 0.15365501 percent, which was an increase of 0.00181217 from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the County recognized pension expense of \$2,007,535. At December 31, 2018, 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	\$ 5,796,388	\$ 2,711,358
Changes of Assumptions	901,401	-
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	6,270,317
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	65,088	48,743
County Contributions Subsequent to the Measurement Date	1,629,150	-
Total	<u>\$ 8,392,027</u>	<u>\$ 9,030,418</u>

Of the above amounts, \$1,762,120 of deferred outflows of resources and \$1,896,166 of deferred inflows of resources were allocated to The Neighbors. \$1,629,150 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ended December 31, 2019. Of these contributions, \$342,081 are allocated to The Neighbors and will increase the net pension asset 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:

**THE NEIGHBORS OF DUNN COUNTY
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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>Year Ended December 31:</u>	Pension Expense Amount
2019	\$ 522,188
2020	(30,577)
2021	(1,574,203)
2022	(1,195,798)
2023	10,849
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset):	December 31, 2017
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	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 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 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:

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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	50%	5.3%	N/A	N/A
U.S. Equity	N/A	N/A	70%	4.6%
International Equity	N/A	N/A	30%	4.9%
Fixed Income	25%	1.4%	N/A	N/A
Inflation Sensitive Assets	15%	1.0%	N/A	N/A
Real Estate	8%	3.6%	N/A	N/A
Private Equity/Debt	8%	6.5%	N/A	N/A
Multi-Asset	4%	3.6%	N/A	N/A
Cash	-10%	0.9%	N/A	N/A
Totals	100%		100%	

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

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)	\$ 11,803,967	\$ (4,562,199)	\$ (17,000,993)

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>.

**THE NEIGHBORS OF DUNN COUNTY
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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, 2018.

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

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.

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NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

General Information about the Other Postemployment Benefits Plan (Continued)

Contributions (Continued). 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, 2018 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement 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, 2018 are:

<u>Attained Age</u>	<u>Basic</u>
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

During the fiscal year, the LRLIF recognized \$8,318 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, 2018, the County reported a liability of \$1,365,035 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016 and rolled forward to December 31, 2017. 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, 2017, the County's proportion was 0.453714 percent, which was a decrease of 0.012016 from its proportion measured as of December 31, 2016.

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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)

For the year ended December 31, 2018, the County recognized OPEB expense of \$140,557. At December 31, 2018, 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	\$ 15,718	\$ 19,233
Changes of Assumptions or Other Input	131,904	-
Change in proportion and differences between employer contributions and proportionate share of contributions	-	25,392
County Contributions Subsequent to the Measurement Date	8,318	-
Total	<u>\$ 155,940</u>	<u>\$ 44,625</u>

\$8,318 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 ended December 31, 2019. 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 Ended</u> <u>December 31:</u>	<u>OPEB</u> <u>Expense</u>
2019	\$ 17,296
2020	17,296
2021	17,296
2022	17,296
2023	13,367
Thereafter	20,446

Actuarial Assumptions. The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2017
Measurement Date of Net OPEB Liability (Asset)	December 31, 2017
Actuarial Cost Method	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	3.44%
Long-Term Expected Rate of Return	5.00%
Discount Rate	3.63%
Salary Increases:	
Inflation	3.20%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table

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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%	1.13%
U.S. Credit Bonds	Barclays Credit	65%	2.61%
U.S. Long Credit Bonds	Barclays Long Credit	3%	3.08%
U.S. Mortgages	Barclays MBS	31%	2.19%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

Single Discount Rate. A single discount rate of 3.63% was used to measure the total OPEB liability. 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.

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 3.63 percent, 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 (2.63 percent) or 1-percentage-point higher (4.63 percent) than the current rate:

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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 (Continued).

	<u>1% Decrease (2.63%)</u>	<u>Current Discount Rate (3.63%)</u>	<u>1% Increase (4.63%)</u>
Proportionate share of the Net OPEB Liability (Asset) 12/31/18	<u>\$ 1,929,313</u>	<u>\$ 1,365,035</u>	<u>\$ 932,011</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>.

NOTE 11 CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2018, the County adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This pronouncement requires the restatement of the December 31, 2017 net position of The Neighbors of Dunn County as summarized below:

Net Position, December 31, 2017, as Previously Reported	\$ (4,688,894)
Cumulative Affect of Application of GASB 75, Net OPEB Liability and Related Items	(258,014)
Net Position, December 31, 2017, as Restated	<u>\$ (4,946,908)</u>

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>
County's proportion of the net pension liability (asset)	0.15155089%	0.15133729%	0.15184284%	0.15365501%
County's proportionate share of the net pension liability (asset)	\$ (3,722,504)	\$ 2,459,202	\$ 1,251,548	\$ (4,562,199)
County's covered payroll	\$ 19,744,668	\$ 21,336,516	\$ 21,305,587	\$ 21,490,070
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%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%	99.12%	102.93%

The above information is for 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,	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually Required Contribution	\$ 1,498,650	\$ 1,471,175	\$ 1,531,118	\$ 1,629,150
Contributions in Relation to the Contractually Required Contributions	<u>(1,498,650)</u>	<u>(1,471,175)</u>	<u>(1,531,118)</u>	<u>(1,629,150)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 21,336,514	\$ 21,305,587	\$ 21,490,071	\$ 22,425,438
Contributions as a Percentage of Covered Payroll	7.02%	6.91%	7.12%	7.26%

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.

**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,	2017
County's proportion of the net OPEB liability (asset)	0.45371400%
County's proportionate share of the net OPEB liability (asset)	\$ 1,365,035
County's covered payroll	\$ 19,079,972
County's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	7.15%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	44.81%

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,	<u>2018</u>
Contractually Required Contributions	\$ 8,318
Contributions in Relation to the Contractually Required Contributions	<u>(8,318)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
County's Covered Payroll	\$ 19,079,972
Contributions as a Percentage of Covered Payroll	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. There were no changes in the assumptions.

SUPPLEMENTARY INFORMATION

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
DETAIL SCHEDULE OF REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018				2017
	East	Central	West	Total	
OPERATING REVENUES					
Resident Services	\$ 3,998,417	\$ 3,792,380	\$ 3,631,082	\$ 11,421,879	\$ 11,335,085
Other Revenue:					
Cafeteria	2,754	32,946	1,827	37,527	38,825
Other Operating Revenue	791	81,250	180	82,221	14,262
OBRA Level I Screens	990	4,620	480	6,090	6,390
Total Other Revenue	<u>4,535</u>	<u>118,816</u>	<u>2,487</u>	<u>125,838</u>	<u>59,477</u>
Total Operating Revenues	4,002,952	3,911,196	3,633,569	11,547,717	11,394,562
OPERATING EXPENSES					
Nursing Services:					
Salaries and Wages	1,518,576	1,308,668	1,506,382	4,333,626	4,599,485
Purchased Services	337,178	347,841	333,096	1,018,115	175,875
Supplies and Expenses	67,145	57,991	56,118	181,254	198,235
Total	<u>1,922,899</u>	<u>1,714,500</u>	<u>1,895,596</u>	<u>5,532,995</u>	<u>4,973,595</u>
Laboratory and Radiology:					
Supplies and Expense	1,899	10,111	532	12,542	21,548
Pharmacy:					
Drugs and Medicines	27,660	163,901	17,066	208,627	206,319
Purchased Services	2,926	2,234	1,733	6,893	9,384
Total	<u>30,586</u>	<u>166,135</u>	<u>18,799</u>	<u>215,520</u>	<u>215,703</u>
Therapy:					
Purchased Services	608	998	405	2,011	2,654
Supplies and Expense	116,066	424,644	51,944	592,654	606,331
Total	<u>116,674</u>	<u>425,642</u>	<u>52,349</u>	<u>594,665</u>	<u>608,985</u>
Physician:					
Purchased Services	89,884	101,230	80,904	272,018	143,472
Social Services:					
Salaries and Wages	60,108	76,841	71,683	208,632	181,449
Supplies and Expense	236	27	239	502	853
Total	<u>60,344</u>	<u>76,868</u>	<u>71,922</u>	<u>209,134</u>	<u>182,302</u>

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
DETAIL SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018				2017
	East	Central	West	Total	
OPERATING EXPENSES (Continued)					
Patient Activities:					
Salaries and Wages	\$ 45,421	\$ 87,098	\$ 46,844	\$ 179,363	\$ 164,795
Purchased Services	2,232	2,392	1,607	6,231	4,215
Supplies and Expense	1,787	2,333	1,583	5,703	5,931
Total	<u>49,440</u>	<u>91,823</u>	<u>50,034</u>	<u>191,297</u>	<u>174,941</u>
Dietary:					
Salaries and Wages	148,697	170,468	141,428	460,593	418,490
Purchased Services	-	20	-	20	361
Supplies and Expense	112,612	191,443	113,687	417,742	368,131
Total	<u>261,309</u>	<u>361,931</u>	<u>255,115</u>	<u>878,355</u>	<u>786,982</u>
Transportation:					
Supplies and Expense	1,611	5,839	981	8,431	7,257
Plant Operations and Maintenance:					
Purchased Services	79,304	117,018	73,775	270,097	212,127
Supplies and Expense	22,239	30,881	18,931	72,051	63,642
Utilities	64,400	115,839	57,777	238,016	228,649
Total	<u>165,943</u>	<u>263,738</u>	<u>150,483</u>	<u>580,164</u>	<u>504,418</u>
Housekeeping:					
Salaries and Wages	-	-	-	-	552
Purchased Services	21,577	35,046	22,152	78,775	66,970
Supplies and Expense	13,791	13,458	12,663	39,912	46,490
Total	<u>35,368</u>	<u>48,504</u>	<u>34,815</u>	<u>118,687</u>	<u>114,012</u>
Laundry and Linen:					
Purchased Services	-	171	-	171	-
Supplies and Expense	6,515	5,326	6,622	18,463	16,216
Total	<u>6,515</u>	<u>5,497</u>	<u>6,622</u>	<u>18,634</u>	<u>16,216</u>
Medical Records:					
Salaries and Wages	14,665	15,269	14,665	44,599	40,848
Supplies and Expense	209	209	209	627	834
Total	<u>14,874</u>	<u>15,478</u>	<u>14,874</u>	<u>45,226</u>	<u>41,682</u>
Purchasing:					
Salaries and Wages	10,770	11,097	10,770	32,637	30,036
Purchased Services	121	60	-	181	-
Total	<u>10,891</u>	<u>11,157</u>	<u>10,770</u>	<u>32,818</u>	<u>30,036</u>

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
DETAIL SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018				2017
	East	Central	West	Total	
OPERATING EXPENSES (Continued)					
Property and Ownership:					
Purchased Services	\$ 1,924	\$ 1,924	\$ 1,924	\$ 5,772	\$ 4,884
Supplies and Expense	26,659	26,659	26,659	79,977	19,684
Total	<u>28,583</u>	<u>28,583</u>	<u>28,583</u>	<u>85,749</u>	<u>24,568</u>
Administrative:					
Salaries and Wages	68,850	65,997	68,049	202,896	118,978
Purchased Service	119,368	119,227	119,184	357,779	359,472
Supplies and Expense	30,383	40,518	29,320	100,221	222,740
Assessment	93,840	91,800	93,840	279,480	279,480
Total	<u>312,441</u>	<u>317,542</u>	<u>310,393</u>	<u>940,376</u>	<u>980,670</u>
Depreciation	198,802	288,064	198,803	685,669	744,126
Employee Benefits	<u>914,463</u>	<u>927,665</u>	<u>905,538</u>	<u>2,747,666</u>	<u>2,816,145</u>
Total Operating Expenses	<u>4,222,526</u>	<u>4,860,307</u>	<u>4,087,113</u>	<u>13,169,946</u>	<u>12,386,658</u>
Loss from Operations	<u>(219,574)</u>	<u>(949,111)</u>	<u>(453,544)</u>	<u>(1,622,229)</u>	<u>(992,096)</u>
Nonoperating Revenues:					
Nonoperating Rental Income	-	10,980	-	10,980	10,980
Sale of Property	-	100,766	-	100,766	-
Interest Income	434	1,473	3	1,910	871
Grants and Donations	76	20	-	96	-
Intergovernmental Transfer Program Funds	<u>267,700</u>	<u>267,700</u>	<u>267,700</u>	<u>803,100</u>	<u>1,088,111</u>
Total Nonoperating Revenues	<u>268,210</u>	<u>380,939</u>	<u>267,703</u>	<u>916,852</u>	<u>1,099,962</u>
Nonoperating Expenses:					
Amortization of Debt Premium	(28,519)	(38,025)	(28,519)	(95,063)	(99,006)
Interest Expense	<u>203,682</u>	<u>271,574</u>	<u>203,682</u>	<u>678,938</u>	<u>707,100</u>
Total Nonoperating Expenses	<u>175,163</u>	<u>233,549</u>	<u>175,163</u>	<u>583,875</u>	<u>608,094</u>
NET INCOME (LOSS)	<u><u>\$ (126,527)</u></u>	<u><u>\$ (801,721)</u></u>	<u><u>\$ (361,004)</u></u>	<u><u>\$ (1,289,252)</u></u>	<u><u>\$ (500,228)</u></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, 2018, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2019.

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 2018-001 and 2018-002 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 2018-003 in the accompanying Schedule of Findings and Responses to be a significant deficiency.

Compliance and Other Matters

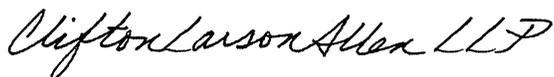
As part of obtaining reasonable assurance about whether The Neighbors of Dunn County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Eau Claire, Wisconsin
April 15, 2019

**THE NEIGHBORS OF DUNN COUNTY
AN ENTERPRISE FUND OF DUNN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018**

FINDING: 2018-001

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 U.S. Generally Accepted Accounting Principles (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, 2018**

FINDING: 2018-002

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, 2018**

FINDING: 2018-003 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.