

ST. CROIX COUNTY NURSING HOME
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

**ST. CROIX COUNTY NURSING HOME
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YEARS ENDED DECEMBER 31, 2013 AND 2012**

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INDEPENDENT AUDITORS' REPORT

Human Services Board
St. Croix County Nursing Home
New Richmond, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of St. Croix County Nursing Home, which comprise the statements of net position as of December 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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 St. Croix County Nursing Home as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted 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 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 audits were conducted for the purpose of forming an opinion on the basic financial statements of St. Croix County Nursing Home. The supplementary information on page 16 to 19 is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 2013 and 2012 actual information has been subjected to the auditing procedures applied in the audits of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 and 2012 information is fairly stated in all material respects in relation the financial statements as a whole. The original budget information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on the original budget information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2014, on our consideration of St. Croix County Nursing Home’s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the St. Croix County Nursing Home’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Eau Claire, Wisconsin
May 23, 2014

**ST. CROIX COUNTY NURSING HOME
STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012**

| ASSETS | <u>2013</u> | <u>2012</u> |
|---|-------------------------|-------------------------|
| CURRENT ASSETS | | |
| Resident Receivables, Less Allowance for Uncollectible Accounts of \$50,200 in 2013 and \$50,200 in 2012 | \$ 318,395 | \$ 331,725 |
| Third Party Payor Settlements Receivable | - | 10,639 |
| Inventories | <u>22,537</u> | <u>28,825</u> |
| Total Current Assets | 340,932 | 371,189 |
| NONCURRENT CASH AND INVESTMENTS | | |
| Restricted Under Resident Trust Agreement | 15,636 | 9,568 |
| Restricted by Donors | <u>22,340</u> | <u>19,721</u> |
| Total Noncurrent Cash and Investments | 37,976 | 29,289 |
| CAPITAL ASSETS, NET | | |
| | 1,191,418 | 932,633 |
| SUCCEEDING YEAR PROPERTY TAX RECEIVABLE | | |
| | <u>56,815</u> | <u>333,002</u> |
| Total Assets | <u>\$ 1,627,141</u> | <u>\$ 1,666,113</u> |

See accompanying Notes to Financial Statements.

| LIABILITIES AND NET POSITION | <u>2013</u> | <u>2012</u> |
|--|-------------------------|-------------------------|
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 42,962 | \$ 77,735 |
| Due to County | 800,887 | 761,827 |
| Accrued Salaries, Wages and Benefits | 180,743 | 203,451 |
| Accrued Compensated Absences | 68,927 | 76,855 |
| Total Current Liabilities | <u>1,093,519</u> | <u>1,119,868</u> |
| RESIDENT FUNDS PAYABLE | 14,936 | 8,868 |
| NONCURRENT ACCRUED COMPENSATED ABSENCES | 87,885 | 107,611 |
| DEFERRED REVENUE FROM SUCCEEDING YEAR PROPERTY TAX RECEIVABLE | <u>56,815</u> | <u>333,002</u> |
| Total Liabilities | <u>1,253,155</u> | <u>1,569,349</u> |
| COMMITMENTS AND CONTINGENCIES | | |
| NET POSITION | | |
| Net Investment in Capital Assets | 1,191,418 | 932,633 |
| Restricted by Donors | 22,340 | 19,721 |
| Unrestricted | <u>(839,772)</u> | <u>(855,590)</u> |
| Total Net Position | <u>373,986</u> | <u>96,764</u> |
| Total Liabilities and Net Position | <u>\$ 1,627,141</u> | <u>\$ 1,666,113</u> |

**ST. CROIX COUNTY NURSING HOME
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2013 AND 2012**

| | 2013 | 2012 |
|---|--------------|--------------|
| OPERATING REVENUES | | |
| Net Resident Service Revenue (Net of Provision for Bad Debt of \$20,932 in 2013 and \$39,858 in 2012) | \$ 3,892,712 | \$ 4,028,789 |
| Other Operating Revenues | 4,012 | 1,905 |
| Total Operating Revenues | 3,896,724 | 4,030,694 |
| EXPENSES | | |
| Daily Resident Services | 2,403,370 | 2,856,607 |
| Special Services | 498,405 | 559,667 |
| General Service | 988,724 | 1,148,891 |
| Other Cost Centers | 287,012 | 270,777 |
| Administrative Services | 398,726 | 491,223 |
| Depreciation | 169,584 | 149,634 |
| Total Expenses | 4,745,821 | 5,476,799 |
| OPERATING LOSS | (849,097) | (1,446,105) |
| NON-OPERATING GAINS (LOSSES) | | |
| Supplemental Payment Revenue | 282,358 | 527,505 |
| Property Tax Revenue | 333,002 | 130,109 |
| Insurance Reimbursement | 83,498 | - |
| Transfers From County | 1,712 | - |
| Restricted Contributions | 11,336 | 15,421 |
| Restricted Funds Expended | (13,956) | (11,783) |
| Net Non-Operating Gains | 697,950 | 661,252 |
| DEFICIT OF REVENUES OVER EXPENSES BEFORE TRANSFERS TO/FROM COUNTY | (151,147) | (784,853) |
| TRANSFERS OF CAPITAL ASSETS FROM COUNTY | 428,369 | - |
| INCREASE (DECREASE) IN NET POSITION | 277,222 | (784,853) |
| NET POSITION BEGINNING OF YEAR | 96,764 | 881,617 |
| NET POSITION END OF YEAR | \$ 373,986 | \$ 96,764 |

See accompanying Notes to Financial Statements.

**ST. CROIX COUNTY NURSING HOME
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

| | 2013 | 2012 |
|---|--------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Residents and Third Party Payors | \$ 3,906,042 | \$ 4,170,033 |
| Cash Paid to Employees | (3,434,385) | (4,535,360) |
| Cash Paid to Suppliers | (1,181,639) | (282,730) |
| Other Receipts and Payments, Net | 4,012 | 1,905 |
| Net Cash Used by Operating Activities | (705,970) | (646,152) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Cash Received from Intermediary for Financing of Prior Year Operations | 292,997 | 516,866 |
| Appropriation from County for Tax Levy | 333,002 | 130,109 |
| Restricted Income | (5,239) | - |
| Other Non-Operating Gains | 85,210 | - |
| Net Cash Provided by Non-Capital Financing Activities | 705,970 | 646,975 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Cash Paid for Acquisition of Capital Assets | - | (823) |
| Net Cash Used by Capital and Related Financing Activities | - | (823) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | - | - |
| Cash and Cash Equivalents - Beginning of Year | - | - |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ - | \$ - |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating Loss | \$ (849,097) | \$ (1,446,105) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operations | | |
| Depreciation | 169,584 | 149,634 |
| Decrease (Increase) in: | | |
| Patient Receivables | 13,330 | 141,244 |
| Inventories | 6,288 | 4,912 |
| Increase (Decrease) in: | | |
| Accounts Payable | (34,773) | (5,067) |
| Checks Written in Excess of Cash | 39,060 | 528,319 |
| Accrued Salaries, Wages and Benefits | (22,708) | (5,263) |
| Accrued Compensated Absences | (27,654) | (13,826) |
| Net Cash Used by Operating Activities | \$ (705,970) | \$ (646,152) |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Contribution of Capital Assets | \$ 428,369 | \$ - |

See accompanying Notes to Financial Statements.

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**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

St. Croix County Nursing Home (the Home) is owned and operated as an enterprise fund by St. Croix County, Wisconsin (the County) as a not-for-profit, tax exempt, licensed nursing home. The Home is directed by a governing board appointed by the County Board of Supervisors. It is the intent of the County Board that the costs (expenses, including depreciation) of providing services to the residents on a continuing basis be financed or recovered primarily through user charges. During the year ended December 31, 2012, the Home reduced its licensed beds from 72 to 50.

The Home is subject to regulation by the Wisconsin Department of Human Services. Such regulation includes the Home's accounting practices and its rate setting for residents under the Title XIX Wisconsin Medical Assistance Program.

The Home maintains its financial records in accordance with the *Nursing Home Accounting and Reporting Manual* as required by the Wisconsin Department of Human Services. The accounting practices therein conform to generally accepted accounting principles. The Home uses the accrual basis of accounting. Under this basis, revenues are recognized when they are earned and expenses are recognized when they are incurred.

For financial reporting purposes, the Home has included all funds, organizations, agencies, boards, commissions, and authorities. The Home has also considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Home are such that exclusion would cause the Home's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Home. The Home has no component units, which meet the Governmental Accounting Standards Board criteria.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

The Home uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis, using the economic resources measurement focus. Based on GASB Codification Topic 1600, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended.

**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and checking and savings accounts.

Accounts Receivable

The Home provides an allowance for uncollectible accounts based on the allowance method using management's judgment. Patients are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts past due are individually analyzed for collectibility. Amounts for which no payments have been received are written off using management's judgment on a per account basis. In addition, an allowance is estimated for other accounts based on historical experience of the Home. At December 31, 2013 and 2012, the allowance for uncollectible accounts was approximately \$50,200.

Inventories

Inventories are recorded at the lower of cost or market using the latest invoice cost, which approximates the first-in, first-out method.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets limited by resident trust agreements and assets restricted by donors. All assets are held in checking and savings accounts.

Capital Assets

Capital Assets are reported at cost, if purchased, or at fair market value on the date received, if donated. It is the Home's policy to include amortization expense on assets acquired under capital leases with depreciation on owned assets. Depreciation is provided on the straight-line basis over the estimated useful lives of the property as follows:

| | |
|--------------------------------------|-------------|
| Land Improvements | 5-30 Years |
| Buildings and Building Improvements | 10-40 Years |
| Fixed Equipment | 10-25 Years |
| Major Movable Equipment and Vehicles | 4-20 Years |

Property Tax Receivable

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next year. By statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of succeeding year property tax receivable and supplemental payment revenue received for the subsequent year.

Net Position

Net position of the Home is classified in three components. Invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net position reflect those that must be used for a particular purpose, as specified by creditors, grantors or contributors external to the Home. Unrestricted net position are those remaining that do not meet the definition of invested in capital assets net of related debt or restricted net assets.

Restricted net position consists of contributions for resident activities and employee recreation at December 31, 2013 and 2012.

Operating Revenues and Expenses

The Home's statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Home's principal activity. Non-exchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health services.

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.

**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Third-Party Reimbursement Agreements (Continued)

Medicaid (Continued)

The State of Wisconsin Department of Human Services also provides additional reimbursement to county nursing facilities through the intergovernmental transfer program based on the shortfall between a facility's Medicaid reimbursement and the cost of providing the related care. These additional settlement amounts are reflected as nonoperating revenue. Amounts recognized were \$282,358 and \$527,505 during the years ended December 31, 2013 and 2012, respectively.

Medicare

By state statute, a nursing facility which participates in the Medicaid program must also participate in the Medicare program. This program is administered by the Centers for Medicare and Medicaid Services.

The Home is paid under the Medicare prospective payment system (PPS) for residents who are Medicare eligible. The PPS is a per diem price-based system.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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

| | 2013 | 2012 |
|---|--------------|--------------|
| Total Resident Service Revenue | \$ 4,003,504 | \$ 4,117,937 |
| Contractual Adjustments | | |
| Medicare | (89,860) | (49,290) |
| Provision for Bad Debts | (20,932) | (39,858) |
| Total Contractual Adjustments and Provision for Bad Debt | (110,792) | (89,148) |
| Net Patient Service Revenue | \$ 3,892,712 | \$ 4,028,789 |

During the years ended December 31, 2013 and 2012, the occupancy percentages and the percentages of residents covered under the Medicare and Medicaid programs were as follows:

| | 2013 | 2012 |
|-----------------|-------|-------|
| Total Occupancy | 96.6% | 85.3% |
| Medicaid | 67.5% | 67.5% |
| Medicare | 7.3% | 9.7% |

Contributions

From time to time the Home receives contributions from individuals and private organizations. Revenue contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 2 RESIDENT RECEIVABLES

Resident receivables reported as current assets by the Home at December 31, 2013 and 2012 consisted of the following:

| | <u>2013</u> | <u>2012</u> |
|---|--------------------------|--------------------------|
| Receivable from Patients and Their Insurance Carriers | \$ 139,518 | \$ 156,181 |
| Receivable from Medicare | 52,967 | 91,761 |
| Receivable from Medicaid | <u>176,110</u> | <u>133,983</u> |
| Total Patient Receivables | 368,595 | 381,925 |
| Less Allowance for Doubtful Accounts | <u>(50,200)</u> | <u>(50,200)</u> |
| Patient Receivables, Net | <u><u>\$ 318,395</u></u> | <u><u>\$ 331,725</u></u> |

NOTE 3 DEPOSITS

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the Home’s deposits may not be returned to it. In accordance with applicable state statutes, the Home, which is an enterprise fund of the County, maintains deposits at depository banks authorized by the County and is a member of the Federal Reserve System.

As a component unit of St. Croix County, Wisconsin, the Home is required to invest its funds in accordance with Wisconsin Statutes 66.0603 and 67.11(2). State statutes permit the County to invest available cash balances in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper and the local government pooled investment fund administered by the state investment board.

The Home’s deposits are pooled with all other funds of the County and are held in the County’s name. Deposits made in the County’s name were entirely covered by collateral held in the County’s name as of December 31, 2013.

The Home does not have an investment policy with respect to interest rate risk or credit risk.

Deposit balances at December 31, 2013 and 2012 consist of the following:

| | <u>2013</u> | <u>2012</u> |
|----------|-------------------------|-------------------------|
| Deposits | <u><u>\$ 37,976</u></u> | <u><u>\$ 29,289</u></u> |

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

| | <u>2013</u> | <u>2012</u> |
|---|-------------------------|-------------------------|
| Noncurrent Cash and Investments | | |
| Restricted Under Resident Trust Agreement | \$ 15,636 | \$ 9,568 |
| Restricted by Donors | <u>22,340</u> | <u>19,721</u> |
| | <u><u>\$ 37,976</u></u> | <u><u>\$ 29,289</u></u> |

**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 4 CAPITAL ASSETS

Summaries of capital assets for the years ended December 31, 2013 and 2012 are as follows:

| Capital Assets | January 1, 2013 | Additions | Retirements | December 31, 2013 |
|---------------------------------|---------------------|-------------------|------------------|----------------------|
| Land Improvements | \$ 124,700 | \$ - | \$ - | \$ 124,700 |
| Buildings | 3,020,647 | 413,448 | - | 3,434,095 |
| Equipment | 2,122,244 | 14,921 | 6,795 | 2,143,960 |
| Transportation Equipment | 123,414 | - | 20,546 | 143,960 |
| Totals | <u>5,391,005</u> | <u>428,369</u> | <u>27,341</u> | <u>5,846,715</u> |
| Accumulated Depreciation | | | | |
| Land Improvements | 122,419 | 436 | - | 122,855 |
| Buildings | 2,323,721 | 123,434 | - | 2,447,155 |
| Fixed Equipment | 1,909,114 | 35,124 | 6,795 | 1,951,033 |
| Transportation Equipment | 103,118 | 10,590 | 20,546 | 134,254 |
| Totals | <u>4,458,372</u> | <u>\$ 169,584</u> | <u>\$ 27,341</u> | <u>4,655,297</u> |
| | <u>\$ 932,633</u> | | | <u>\$ 1,191,418</u> |
| Capital Assets | | | | |
| | January 1, 2012 | Additions | Retirements | December 31, 2012 |
| Land Improvements | \$ 124,700 | \$ - | \$ - | \$ 124,700 |
| Buildings | 3,020,647 | - | - | 3,020,647 |
| Fixed Equipment | 2,121,421 | 823 | - | 2,122,244 |
| Transportation Equipment | 123,414 | - | - | 123,414 |
| Totals | <u>5,390,182</u> | <u>823</u> | <u>-</u> | <u>5,391,005</u> |
| Accumulated Depreciation | | | | |
| Land Improvements | 121,935 | 484 | - | 122,419 |
| Buildings | 2,221,518 | 102,203 | - | 2,323,721 |
| Fixed Equipment | 1,872,757 | 36,357 | - | 1,909,114 |
| Transportation Equipment | 92,528 | 10,590 | - | 103,118 |
| Totals | <u>4,308,738</u> | <u>\$ 149,634</u> | <u>\$ -</u> | <u>4,458,372</u> |
| | <u>\$ 1,081,444</u> | | | <u>\$ 932,633</u> |

NOTE 5 RELATED PARTY TRANSACTIONS

The Home is a party to numerous transactions involving other units of St. Croix Health Center and the general county. No current balances were due from and to such related parties at December 31, 2013 and 2012. Also the Home rented administrative space from the Human Services Department in 2013 and 2012.

**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 6 ACCUMULATED VACATION AND SICK LEAVE LIABILITY

All regular employees are granted personal time off (PTO) based on number of regular hours paid in a pay period and length of service. Earned time off is placed in a personal "PTO" account which is subject to current use by the employee. Amounts recorded in the PTO accounts are subject to maximum accumulations. Employees may annually, at December 31, transfer up to 96 hours of their unused earned time off out of their PTO account into a "personal sick bank" account and/or receive a payment for up to 48 hours out of their account. Nursing Home Union employees may also cash out unused earned time off in July of each year. Time placed in the personal sick bank account may be used for sick leave in excess of three days. Employees who leave the County in good standing are entitled to payment of the accumulated time in their personal PTO account. Accumulated time in the personal sick bank accounts is not subject to pay-out. Retirement is defined as being eligible to receive a pension from the Wisconsin Retirement System. At retirement, the balance of funds in an employee's sick bank is contributed to a qualified retirement plan.

The Nursing Home's estimated liability for accumulated personal time off, vacation and vested sick leave was \$156,812 at December 31, 2013 and \$184,466 at December 31, 2012. The Nursing Home accrues its liability for all employees age 55 and over.

NOTE 7 EMPLOYEE RETIREMENT PLAN

All eligible St. Croix County Nursing Home employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. 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 (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Prior to June 29, 2011, covered employees in the general/teacher/educational support personnel category were required by statute to contribute 6.5% of their salary (3.9% for executive and elected officials, 5.8% for protective occupations with social security, and 4.8% for protective occupations without social security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for St. Croix County employees covered by the WRS for the year ended December 31, 2013 was \$29,012,568; the employer's total payroll was \$27,418,428. The total required contribution for the year ended December 31, 2013 was \$3,882,289, which consisted of \$1,182,211, or 6.7 percent of payroll from the employer and \$2,058,078, or 7.5 percent of payroll from employees. Total contributions for years ended December 31, 2012 and 2011 were \$3,360,615 and \$3,512,253, respectively, equal to the required contributions for each year.

**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 7 EMPLOYEE RETIREMENT PLAN (CONTINUED)

The payroll for Nursing Home employees covered by the WRS for the year ended December 31, 2013 was \$2,135,378. The total required contribution for the year ended December 31, 2013 was \$293,496, which consisted of \$146,746, or 6.9% of payroll from the employer and \$146,746 or 6.90% of payroll from employees. Total contributions for the years ending December 31, 2012 and 2011 were \$298,398 and \$342,670, respectively, equal to the required contributions for each year.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Required contributions for protective contributions 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. Contribution rates for 2013 are:

| | <u>Employee</u> | <u>Employer</u> |
|------------------------------------|-----------------|-----------------|
| General | 6.65% | 6.65% |
| Executives and Elected Officials | 7.00% | 7.00% |
| Protective with Social Security | 6.65% | 6.65% |
| Protective without Social Security | 6.65% | 12.35% |

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. 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 employees' three highest years' earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation 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 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five year of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 8 OTHER POST EMPLOYMENT BENEFITS

The Home participates in a health insurance plan with the County which provides health insurance and other benefits to participating retirees who have reached the age of 55 and have 20 years of services with the County. The health insurance benefit for retirees terminates at the age of 65. The County implemented Government Accounting Standards Board (GASB) issued Statement No. 45 *Accounting and Financial Reporting by Employers for Post Retirement Benefits Other Than Pensions* for the year ended December 31, 2008. The standard provides for the determination, disclosure and potential recognition of other post employment benefits, including retiree health insurance benefit described above. The potential liability has been actuarially determined for the County and reflected in the County financial statements. At this time, the County has chosen not to assess costs related to the provision of any post employment benefits to the Home.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Healthcare Risk Management

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

NOTE 10 OPERATIONS

During the years ended December 31, 2013 and 2012, the Home experienced operating losses of \$849,097 and \$1,446,105, respectively. The Home also received non-operating revenue from the County property tax levy in the amount of \$333,002 and \$130,109 along with supplemental payment program revenue from the State of Wisconsin for prior year operations in the amount of \$282,358 and \$527,505 during the years ended December 31, 2013 and 2012. Overall the Home had an increase in net position of \$275,510 in 2013, including capital transfers from the County of \$428,369, and a decrease in net position of \$784,853 in 2012. The operating losses resulted from declines in occupancy, increases in the cost of providing resident care and staffing challenges. The Home is continuing to manage its operating expenses and taking measures to increase its occupancy. The County increased the property tax allocation to the Home for 2013 (as shown above), and reduced the allocation down to \$56,815 for 2014. In addition, they reduced the number of licensed beds from 72 to 50 during the year ended December 31, 2012, and are exploring a number of options related to the types of services provided and the building layout in which services are provided in order to identify opportunities to improve the Home's operations.

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SUPPLEMENTARY INFORMATION

**ST. CROIX COUNTY NURSING HOME
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL
 DECEMBER 31, 2013 AND 2012**

| | 2013 | | | 2012 |
|---|----------------------------|------------------|-----------------|------------------|
| | Original Budget | Actual | Variance | Actual |
| DAILY PATIENT SERVICES: | | | | |
| Bedhold Charges - Private | \$ - | \$ 1,764 | \$ 1,764 | \$ 2,912 |
| Bedhold Charges - Medicaid | - | 2,761 | 2,761 | 2,206 |
| SNF - Medicare | 527,354 | 198,947 | (328,407) | 360,391 |
| SNF - Medicare Advantage | - | 60,054 | 60,054 | 50,661 |
| ISN - Medicaid | - | 127,049 | 127,049 | 124,101 |
| SNF - Medicaid | 2,394,977 | 1,919,954 | (475,023) | 1,910,434 |
| ICF - I & II - Medicaid | - | 14,347 | 14,347 | 63,581 |
| SNF - Private | 408,800 | 876,736 | 467,936 | 849,408 |
| SNF - Private HMO | - | 22,994 | 22,994 | 16,326 |
| Veterans Administration/ Insurance Contracts | - | 44,278 | 44,278 | 24,618 |
| Private Room Charges - Private | - | - | - | 4,560 |
| Private Pay Bed Tax | - | 9,375 | 9,375 | 9,337 |
| Meal Income | - | 2,236 | 2,236 | 2,967 |
| Total Daily Patient Services | 3,331,131 | 3,280,495 | (50,636) | 3,421,502 |
| SPECIAL SERVICES: | | | | |
| Over-the-Counter Drug Collections | - | 29 | 29 | 70 |
| Outpatient Therapy | - | 7,506 | 7,506 | 13,028 |
| Pharmacy | - | 80,922 | 80,922 | 103,006 |
| Psychiatric | - | 6,175 | 6,175 | 5,851 |
| Physical Therapy | - | 253,765 | 253,765 | 228,312 |
| Occupational Therapy | - | 270,319 | 270,319 | 245,203 |
| Speech Therapy | - | 51,362 | 51,362 | 79,900 |
| X-Ray Services | - | 1,864 | 1,864 | 3,216 |
| IV Therapy | - | 32,383 | 32,383 | - |
| Nursing Supplies - Medicare | - | 4,546 | 4,546 | 4,517 |
| Laboratory - Medicare | - | 9,345 | 9,345 | 12,619 |
| Special Equipment | - | 1,189 | 1,189 | 326 |
| Miscellaneous Medicare Revenues | - | 3,604 | 3,604 | 387 |
| Medicare Ancillary Adjustment | - | (89,860) | (89,860) | (49,290) |
| Total Special Services | - | 633,149 | 633,149 | 647,145 |
| DEDUCTIONS FROM REVENUES: | | | | |
| Uncollectible Accounts | - | (20,932) | (20,932) | (39,858) |
| OTHER OPERATING REVENUES: | | | | |
| Dietary: | | | | |
| Meals Sold | - | 210 | 210 | 209 |
| Miscellaneous Services | | | | |
| OBRA Screening | - | 960 | 960 | 1,140 |
| Other | - | 1,473 | 1,473 | 552 |
| Interest on Delinquent Accounts | - | 1,369 | 1,369 | 4 |
| Total Other Operating Revenues | - | 4,012 | 4,012 | 1,905 |
| Total Operating Revenues | 3,331,131 | 3,896,724 | 565,593 | 4,030,694 |

ST. CROIX COUNTY NURSING HOME
DETAILED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)
DECEMBER 31, 2013 AND 2012

| | 2013 | | | 2012 |
|----------------------------------|--------------------|--------------|-------------|--------------|
| | Original Budget | Actual | Variance | Actual |
| DAILY PATIENT SERVICES: | | | | |
| Salaries and Wages | \$ 1,545,526 | \$ 1,611,822 | \$ (66,296) | \$ 1,958,714 |
| Fringe Benefits | 647,481 | 687,749 | (40,268) | 799,438 |
| Pool Nursing | 6,000 | - | 6,000 | 4,121 |
| Supplies and Expenses | 80,336 | 97,042 | (16,706) | 88,135 |
| Over-the-Counter Drugs | 6,279 | 6,754 | (475) | 6,201 |
| Total Daily Patient Services | 2,285,622 | 2,403,367 | (117,745) | 2,856,609 |
| SPECIAL SERVICES: | | | | |
| Speech Therapy - Purchased | 35,000 | 18,222 | 16,778 | 31,831 |
| Occupational Therapy - Purchased | 74,355 | 108,605 | (34,250) | 105,528 |
| Laboratory Supplies | 4,000 | 7,117 | (3,117) | 8,650 |
| Physical Therapy - Purchased | 60,250 | 88,317 | (28,067) | 86,138 |
| Outpatient Therapy | - | 4,348 | (4,348) | 1,617 |
| Flu Vaccines | 1,360 | 886 | 474 | 343 |
| X-Ray Purchased | 3,000 | 1,575 | 1,425 | 2,937 |
| Activity Therapy: | | | | |
| Salaries and Wages | 84,343 | 87,464 | (3,121) | 105,073 |
| Fringe Benefits | 51,643 | 41,870 | 9,773 | 58,941 |
| Craft Supplies and Activities | 1,569 | 1,029 | 540 | 2,856 |
| Transportation | 1,204 | 197 | 1,007 | 340 |
| Social Services: | | | | |
| Salaries and Wages | 51,099 | 42,985 | 8,114 | 50,163 |
| Fringe Benefits | 15,631 | 11,590 | 4,041 | 12,765 |
| Supplies and Expenses | - | 506 | (506) | 1,031 |
| Physician - Consultant | 16,744 | 18,000 | (1,256) | 18,000 |
| Pharmacist - Consultant | 837 | 864 | (27) | 864 |
| Pharmaceuticals | 62,231 | 60,392 | 1,839 | 66,090 |
| Psychiatrist - Consultant | 3,140 | 4,438 | (1,298) | 6,500 |
| Total Special Services | 466,406 | 498,405 | (31,999) | 559,667 |
| GENERAL SERVICES: | | | | |
| Dietary: | | | | |
| Salaries and Wages | 273,622 | 298,559 | (24,937) | 338,639 |
| Fringe Benefits | 104,911 | 104,179 | 732 | 138,163 |
| Supplies and Expenses | 7,326 | 17,055 | (9,729) | 15,108 |
| Food | 100,674 | 132,032 | (31,358) | 139,924 |
| Consultant | 2,093 | 4,296 | (2,203) | 4,354 |
| Maintenance: | | | | |
| Purchased Services: | 64,000 | 76,503 | (12,503) | 89,001 |
| Supplies and Expenses | 40,690 | 48,276 | (7,586) | 45,360 |
| Housekeeping: | | | | |
| Salaries and Wages | 121,735 | 91,514 | 30,221 | 145,099 |
| Fringe Benefits | 62,689 | 61,660 | 1,029 | 69,154 |
| Supplies and Expenses | 14,628 | 18,973 | (4,345) | 21,982 |
| Laundry: | | | | |
| Salaries and Wages | 46,958 | 77,549 | (30,591) | 85,044 |
| Fringe Benefits | 30,752 | 49,011 | (18,259) | 46,271 |
| Supplies and Expenses | 9,558 | 9,120 | 438 | 10,790 |
| Total General Services | 879,636 | 988,727 | (109,091) | 1,148,889 |

**ST. CROIX COUNTY NURSING HOME
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)
 DECEMBER 31, 2013 AND 2012**

| | 2013 | | | 2012 |
|--|---------------------|---------------------|---------------------|---------------------|
| | Original Budget | Actual | Variance | Actual |
| ADMINISTRATIVE SERVICES: | | | | |
| Accounting: | | | | |
| Salaries and Wages | \$ 60,605 | \$ 71,070 | \$ (10,465) | \$ 83,728 |
| Fringe Benefits | 34,539 | 36,734 | (2,195) | 42,307 |
| Auditing and Special Accounting | 13,000 | 15,080 | (2,080) | 10,135 |
| Supplies and Expenses | 675 | - | 675 | - |
| General Administrative: | | | | |
| Administrator Salaries and Wages | 36,308 | 77,249 | (40,941) | 15,439 |
| General Administrative Salaries | 16,368 | 4,548 | 11,820 | 16,766 |
| Fringe Benefits | 29,485 | 28,470 | 1,015 | 10,650 |
| Computer Supplies | - | 8,065 | (8,065) | 10,635 |
| Computer Technology | 6,540 | 599 | 5,941 | - |
| Purchased Services | 1,000 | 17,645 | (16,645) | 118,922 |
| Employee Travel | 1,425 | 6,614 | (5,189) | 2,166 |
| Nursing Home Dues & Assessments | - | 2,693 | (2,693) | 8,932 |
| Telephone | 1,000 | 2,738 | (1,738) | 1,736 |
| Cable TV | 5,000 | 5,163 | (163) | 4,918 |
| Supplies and Expenses | 5,400 | 9,233 | (3,833) | 31,673 |
| Postage | 1,000 | 982 | 18 | 1,253 |
| Copier Charges | 1,400 | 1,517 | (117) | 2,119 |
| Staff Development | 3,500 | 7,766 | (4,266) | 4,900 |
| Bed Assessment Tax | 102,000 | 102,000 | - | 124,440 |
| Fines and Assessments | 6,000 | 400 | 5,600 | 300 |
| Background Checks | - | 160 | (160) | - |
| Advertising and Promotion | 6,000 | - | 6,000 | 204 |
| Total Administrative Services | <u>331,245</u> | <u>398,726</u> | <u>(67,481)</u> | <u>491,223</u> |
| UNASSIGNED: | | | | |
| Electricity | 61,000 | 69,230 | (8,230) | 60,568 |
| Gas and Oil | 40,500 | 33,728 | 6,772 | 27,209 |
| Water and Sewer | 25,700 | 32,470 | (6,770) | 32,120 |
| Diesel for Power Plant | - | 1,028 | (1,028) | 99 |
| Depreciation (Not Budgeted)/ Capital Outlay | - | 169,584 | (169,584) | 149,634 |
| Insurance | 75,000 | 75,556 | (556) | 75,781 |
| Worker's Compensation (Unallocated) | <u>75,000</u> | <u>75,000</u> | <u>-</u> | <u>75,000</u> |
| Total Unassigned | <u>277,200</u> | <u>456,596</u> | <u>(179,396)</u> | <u>420,411</u> |
| Total Operating Expenses | <u>\$ 4,240,109</u> | <u>\$ 4,745,821</u> | <u>\$ (505,712)</u> | <u>\$ 5,476,799</u> |

**ST. CROIX COUNTY NURSING HOME
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)
 DECEMBER 31, 2013 AND 2012**

| | <u>2013</u> | | | <u>2012</u> |
|--|----------------------------|---------------------|---------------------|---------------------|
| | <u>Original Budget</u> | <u>Actual</u> | <u>Variance</u> | <u>Actual</u> |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Supplemental Payment Revenue | \$ 488,303 | \$ 282,358 | \$ (205,945) | \$ 527,505 |
| Property Tax Revenue | 333,001 | 333,002 | 1 | 130,109 |
| Other Non-Operating Revenues and Expenses | 89,674 | 94,834 | 5,160 | 15,421 |
| Restricted Funds Expended | <u>(2,000)</u> | <u>(13,956)</u> | <u>(11,956)</u> | <u>(11,783)</u> |
| Total Non-Operating Revenues (Expenses) | <u>908,978</u> | <u>696,238</u> | <u>(212,740)</u> | <u>661,252</u> |
| | | | | |
| Deficit of Revenues Over Expenses | <u>\$ -</u> | <u>\$ (152,859)</u> | <u>\$ (152,859)</u> | <u>\$ (784,853)</u> |

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**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**

Human Services Board
St. Croix County Nursing Home
New Richmond, Wisconsin

We have audited the financial statements of St. Croix County Nursing Home as of and for the year ended December 31, 2013, and have issued our report thereon dated May 23, 2014. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Croix County Nursing Home's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Croix County Nursing Home's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Croix County Nursing Home'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 a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as 2013-1 and 2013-2 to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Croix County Nursing Home’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*.

St. Croix County Nursing Home’s Response to Findings

St. Croix County Nursing Home’s response to the findings identified in our audit are described in the accompanying schedule of findings and responses. St. Croix County Nursing Home’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
May 23, 2014

**ST. CROIX COUNTY NURSING HOME
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2013**

A. FINDINGS – FINANCIAL STATEMENTS AUDIT

FINDING: 2013-1 CORRECTED FINANCIAL STATEMENT MISSTATEMENTS

Condition: A number of adjustments were proposed during the course of the audit.

Criteria: The Home must be able to prevent or detect a material misstatement in the financial statements in a timely manner.

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

Cause: The Home had limited personnel to ensure that all amounts were adjusted to their appropriate year end balances in accordance with generally accepted accounting principles (GAAP).

Recommendation: The Home should continue to evaluate their internal staff and expertise 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.

Management's Response: Management will evaluate their personnel and internal controls

**ST. CROIX COUNTY NURSING HOME
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2013**

FINDING: 2013-2

ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Condition:

The Home does not have an internal control policy in place over annual financial reporting under GAAP, therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the Home's internal controls.

Criteria:

The Home must be able to prevent or detect a material misstatement in the annual financial statements including 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 Home's internal controls.

Cause:

The Home has not adopted a policy over the annual financial reporting under GAAP; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.

Recommendation:

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

Management's Response:

Management will continue to rely upon the audit firm to create the draft financial statements and related footnote disclosures, and will review and approve these prior to the issuance of the annual financial statements.