

ST. CROIX COUNTY NURSING HOME
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

**ST. CROIX COUNTY NURSING HOME
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITON	3
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
DETAILED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – BUDGET AND ACTUAL	17
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	21
SCHEDULE OF FINDINGS AND RESPONSES	23

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, an enterprise fund of St. Croix County, which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(This page intentionally left blank)

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, 2014 and 2013, 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 audit was conducted for the purpose of forming an opinion on the financial statements of St. Croix County Nursing Home as a whole. The supplementary information on page 17 to 20 is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation the financial statements as a whole. The original budget information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on the original budget information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2015, 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
April 8, 2015

**ST. CROIX COUNTY NURSING HOME
STATEMENTS OF NET POSITION
DECEMBER 31, 2014 AND 2013**

	2014	2013
ASSETS		
CURRENT ASSETS		
Resident Receivables, Less Allowance for Uncollectible Accounts of Approximately \$50,200 in 2014 and 2013	\$ 409,457	\$ 318,395
Third-Party Payor Settlements Receivable	4,160	-
Inventories	18,504	22,537
Other Accounts Receivable	205,492	-
Total Current Assets	637,613	340,932
NONCURRENT CASH AND INVESTMENTS		
Restricted Under Resident Trust Agreement	17,434	15,636
Restricted by Donors	18,674	17,102
Total Noncurrent Cash and Investments	36,108	32,738
CAPITAL ASSETS, NET	1,078,693	1,191,418
SUCCEEDING YEAR PROPERTY TAX RECEIVABLE	36,481	56,815
Total Assets	\$ 1,788,895	\$ 1,621,903

See accompanying Notes to Financial Statements.

LIABILITIES AND NET POSITION	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 84,658	\$ 42,962
Due to County	986,686	795,649
Accrued Salaries, Wages and Benefits	85,547	180,743
Accrued Compensated Absences	<u>72,654</u>	<u>68,927</u>
Total Current Liabilities	1,229,545	1,088,281
RESIDENT FUNDS PAYABLE	16,734	14,936
NONCURRENT ACCRUED COMPENSATED ABSENCES	<u>97,145</u>	<u>87,885</u>
Total Liabilities	1,343,424	1,191,102
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue - Succeeding Year Property Tax Receivable	<u>36,481</u>	<u>56,815</u>
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Net Investment in Capital Assets	1,078,693	1,191,418
Restricted by Donors	18,674	17,102
Unrestricted	<u>(688,377)</u>	<u>(834,534)</u>
Total Net Position	408,990	373,986
Total Liabilities and Net Position	<u>\$ 1,788,895</u>	<u>\$ 1,621,903</u>

ST. CROIX COUNTY NURSING HOME
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Net Resident Service Revenue (Net of Provision for Bad Debt of \$8,858 in 2014 and \$20,932 in 2013)	\$ 4,196,963	\$ 3,890,476
Other Operating Revenues	7,803	6,248
Total Operating Revenues	4,204,766	3,896,724
EXPENSES		
Daily Resident Services	2,429,181	2,403,370
Special Services	642,359	498,405
General Service	883,834	988,724
Other Cost Centers	280,987	287,012
Administrative Services	385,966	398,726
Depreciation	146,031	169,584
Total Expenses	4,768,358	4,745,821
OPERATING LOSS	(563,592)	(849,097)
NON-OPERATING GAINS (LOSSES)		
Supplemental Payment Revenue	498,795	282,358
Property Tax Revenue	56,815	333,002
Insurance Reimbursement	-	83,498
Transfers From County	22,000	1,712
Restricted Contributions	11,276	11,336
Restricted Funds Expended	(9,702)	(13,956)
Net Non-Operating Gains	579,184	697,950
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE TRANSFERS TO/FROM COUNTY	15,592	(151,147)
TRANSFERS OF CAPITAL ASSETS FROM COUNTY	19,412	428,369
INCREASE IN NET POSITION	35,004	277,222
Net Position Beginning of Year	373,986	96,764
NET POSITION END OF YEAR	\$ 408,990	\$ 373,986

See accompanying Notes to Financial Statements.

**ST. CROIX COUNTY NURSING HOME
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Residents and Third-Party Payors	\$ 4,101,741	\$ 3,906,042
Cash Paid to Employees	(3,148,582)	(3,434,385)
Cash Paid to Suppliers	(1,321,392)	(1,186,877)
Other Receipts and Payments, Net	7,803	4,012
Net Cash Used by Operating Activities	(360,430)	(711,208)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash Received from Intermediary for Financing of		
Prior Year Operations	295,509	292,996
Appropriation from County for Tax Levy	78,815	333,002
Other Non-Operating Gains	-	85,210
Net Cash Provided by Non-Capital Financing Activities	374,324	711,208
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Paid for Acquisition of Capital Assets	(13,894)	-
Net Cash Used by Capital and Related Financing Activities	(13,894)	-
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	\$ (563,592)	\$ (849,097)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operations		
Depreciation	146,031	169,584
(Increase) Decrease in:		
Resident Receivables	(91,062)	13,330
Third-Party Settlements Receivable	(4,160)	-
Inventories	4,033	6,288
Other Receivable	(2,204)	-
Increase (Decrease) in:		
Accounts Payable	41,696	(34,773)
Checks Written in Excess of Cash	191,037	33,822
Accrued Salaries, Wages and Benefits	(95,196)	(22,708)
Accrued Compensated Absences	12,987	(27,654)
Net Cash Used by Operating Activities	\$ (360,430)	\$ (711,208)
SUPPLEMENTAL CASH FLOW INFORMATION		
Contribution of Capital Assets	\$ 19,412	\$ 428,369

See accompanying Notes to Financial Statements.

**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 years ended December 31, 2014 and 2013, the Home had 50 licensed beds.

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 U.S. 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 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.

**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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. Residents 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 collectability. Amounts for which no payments have been received are written off using management's judgment on a per account basis. In addition, an allowance is estimated for other accounts based on historical experience of the Home. At December 31, 2014 and 2013, 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, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

The County's governmental activities, business-type activities, governmental and enterprise fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund equity that applies to a future period. The County will not recognize the related revenue until a future event occurs. The County has two types of items which occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the County's year) under the modified accrual basis of accounting.

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 reflects 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, 2014 and 2013.

Operating Revenues and Expenses

The Home's statements of revenues, expenses and changes in net position distinguishes between operating and non-operating 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 non-operating 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 (DHS). Revenues for provided services are recognized by the Home as services are provided. Rates for services provided to residents under the Title XIX Wisconsin Medical Assistance Program are based on cost reports submitted by the Home and a formula determined by the Wisconsin Department of 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, 2014 AND 2013**

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 non-operating gains. Amounts recognized were \$498,795 and \$282,358 during the years ended December 31, 2014 and 2013, 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:

	<u>2014</u>	<u>2013</u>
Total Resident Service Revenue	\$ 4,332,979	\$ 4,001,268
Contractual Adjustments:		
Medicare	(127,158)	(89,860)
Provision for Bad Debts	<u>(8,858)</u>	<u>(20,932)</u>
Total Contractual Adjustments and Provision for Bad Debt	<u>(136,016)</u>	<u>(110,792)</u>
Net Patient Service Revenue	<u>\$ 4,196,963</u>	<u>\$ 3,890,476</u>

During the years ended December 31, 2014 and 2013, the occupancy percentages and the percentages of residents covered under the Medicare and Medicaid programs were as follows:

	<u>2014</u>	<u>2013</u>
Total Occupancy	97.6%	96.6%
Medicaid	66.1%	67.5%
Medicare	9.2%	7.3%

Contributions

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, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain items in 2013 financial statements were reclassified for comparison purposes with the 2014 financial statements. The reclassifications did not result in a change in net positions as previously reported.

NOTE 2 RESIDENT RECEIVABLES

Resident receivables reported as current assets by the Home at December 31, 2014 and 2013 consisted of the following:

	2014	2013
Receivable from Residents and Their Insurance Carriers	\$ 230,580	\$ 142,851
Receivable from Medicare	52,967	91,761
Receivable from Medicaid	176,110	133,983
Total Resident Receivables	459,657	368,595
Less: Allowance for Doubtful Accounts	(50,200)	(50,200)
Resident Receivables, Net	\$ 409,457	\$ 318,395

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 proprietary fund 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, 2014.

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

Deposit balances at December 31, 2014 and 2013 consist of the following:

	2014	2013
Deposits	\$ 36,108	\$ 32,738

**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 3 DEPOSITS (CONTINUED)

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

	<u>2014</u>	<u>2013</u>
Noncurrent Cash and Investments		
Restricted Under Resident Trust Agreement	\$ 17,434	\$ 15,636
Restricted by Donors	18,674	17,102
	<u>\$ 36,108</u>	<u>\$ 32,738</u>

NOTE 4 CAPITAL ASSETS

Summaries of capital assets for the years ended December 31, 2014 and 2013 are as follows:

	<u>January 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2014</u>
Capital Assets				
Land Improvements	\$ 124,700	\$ -	\$ -	\$ 124,700
Buildings	3,478,065	21,721	-	3,499,786
Equipment	2,101,700	11,585	6,256	2,119,541
Transportation Equipment	143,960	-	-	143,960
Totals	<u>5,848,425</u>	<u>33,306</u>	<u>6,256</u>	<u>5,887,987</u>
Accumulated Depreciation				
Land Improvements	122,855	266	-	123,121
Buildings	2,447,155	103,288	-	2,550,443
Fixed Equipment	1,952,743	32,768	6,256	1,991,767
Transportation Equipment	134,254	9,709	-	143,963
Totals	<u>4,657,007</u>	<u>\$ 146,031</u>	<u>\$ 6,256</u>	<u>4,809,294</u>
	<u>\$ 1,191,418</u>			<u>\$ 1,078,693</u>

**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Capital Assets	January 1, 2013	Additions	Retirements	December 31, 2013
Land Improvements	\$ 124,700	\$ -	\$ -	\$ 124,700
Buildings	3,064,617	413,448	-	3,478,065
Fixed Equipment	2,079,984	14,921	6,795	2,101,700
Transportation Equipment	123,414	-	20,546	143,960
Totals	<u>5,392,715</u>	<u>428,369</u>	<u>27,341</u>	<u>5,848,425</u>
Accumulated Depreciation				
Land Improvements	122,419	436	-	122,855
Buildings	2,323,721	123,434	-	2,447,155
Fixed Equipment	1,910,824	35,124	6,795	1,952,743
Transportation Equipment	103,118	10,590	20,546	134,254
Totals	<u>4,460,082</u>	<u>\$ 169,584</u>	<u>\$ 27,341</u>	<u>4,657,007</u>
	<u>\$ 932,633</u>			<u>\$ 1,191,418</u>

NOTE 6 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, 2014 and 2013. The Home rents administrative space from the Human Services Department.

NOTE 7 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 \$169,799 at December 31, 2014 and \$156,812 at December 31, 2013. The Nursing Home accrues its sick leave liability for all employees age 55 and over.

**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 8 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 1,200 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 9 or 10 months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

The payroll for St. Croix County employees covered by the WRS for the year ended December 31, 2014 was \$28,226,426; the employer's total payroll was \$30,352,292. The total required contribution for the year ended December 31, 2014 was \$4,127,103, which consisted of \$1,977,815, or 7.0% of payroll from the employer and \$2,149,288, or 7.6% of payroll from employees. Total contributions for years ended December 31, 2013 and 2012 were \$3,882,289 and \$3,360,615, respectively, equal to the required contributions for each year.

The payroll for Nursing Home employees covered by the WRS for the year ended December 31, 2014 was \$1,841,304. The total required contribution for the year ended December 31, 2014 was \$257,784, which consisted of \$128,892, or 7.0% of payroll from the employer and \$128,892 or 7.0% of payroll from employees. Total contributions for the years ending December 31, 2013 and 2012 were \$293,496 and \$298,398, 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 2014 are:

	<u>Employee</u>	<u>Employer</u>
General	7.00%	7.00%
Executives and Elected Officials	7.75%	7.75%
Protective with Social Security	7.00%	10.10%
Protective without Social Security	7.00%	13.70%

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.

**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 8 EMPLOYEE RETIREMENT PLAN (CONTINUED)

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.

NOTE 9 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 GASB 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 10 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.

**ST. CROIX COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 11 OPERATIONS

During the years ended December 31, 2014 and 2013, the Home experienced operating losses of \$563,592 and \$849,097, respectively. The Home also received non-operating revenue from the County property tax levy in the amount of \$56,815 and \$333,002 along with supplemental payment program revenue from the State of Wisconsin for prior year operations in the amount of \$498,795 and \$282,358 during the years ended December 31, 2014 and 2013, respectively. Overall the Home had an increase in net position of \$35,004 in 2014, including capital transfers from the County of \$19,412, and an increase in net position of \$277,222 in 2013, including capital transfers from the County of \$428,369. The County increased the property tax allocation to the Home in 2013, and reduced the allocation down to \$56,815 for 2014. In addition, they are considering building a new nursing home and remodeling the existing nursing home into an assisted living facility.

NOTE 12 SUBSEQUENT EVENT

The Home currently has plans to construct a new nursing facility. \$20 million of bonding for the new nursing facility is yet to be approved by the board. Plans are still in the early stages of development. The Home is not considered to be held to any significant commitments.

NOTE 13 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Home will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.

Statement No. 71, Accounting Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, which is required to be implemented during fiscal year 2015. The implementation of this Statement will require the Home, in the transition year of Statement No. 68, to recognize contributions to defined benefit pension plans between the measurement date of the reported net pension liability and the end of the government's reporting period as a deferred outflow of resources.

These pronouncements will be implemented by their respective implementation dates.

(This page intentionally left blank)

SUPPLEMENTARY INFORMATION

**ST. CROIX COUNTY NURSING HOME
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014			2013
	Original Budget	Actual	Variance	Actual
DAILY PATIENT SERVICES				
Bedhold Charges - Private	\$ -	\$ 6,370	\$ 6,370	\$ 1,764
Bedhold Charges - Medicaid	-	3,490	3,490	2,761
SNF - Medicare	654,635	238,991	(415,644)	198,947
SNF - Medicare Advantage	159,885	23,958	(135,927)	60,054
ISN - Medicaid	-	134,945	134,945	127,049
SNF - Medicaid	1,988,436	2,029,007	40,571	1,919,954
ICF - I & II - Medicaid	-	-	-	14,347
SNF - Private	891,717	870,669	(21,048)	876,736
SNF - Private HMO	-	68,490	68,490	22,994
Veterans Administration/ Insurance Contracts	-	41,883	41,883	44,278
Private Pay Bed Tax	-	9,450	9,450	9,375
Total Daily Patient Services	<u>3,694,673</u>	<u>3,427,253</u>	<u>(267,420)</u>	<u>3,278,259</u>
SPECIAL SERVICES				
Over-the-Counter Drug Collections	-	-	-	29
Outpatient Therapy	1,875	4,977	3,102	7,506
Pharmacy	-	130,882	130,882	80,922
Psychiatric	-	7,006	7,006	6,175
Physical Therapy	38,750	257,566	218,816	253,765
Occupational Therapy	30,000	304,928	274,928	270,319
Speech Therapy	5,000	152,194	147,194	51,362
X-Ray Services	-	21,793	21,793	1,864
IV Therapy	-	7,194	7,194	32,383
Nursing Supplies - Medicare	-	5,598	5,598	4,546
Laboratory - Medicare	-	9,467	9,467	9,345
Special Equipment	-	3,770	3,770	1,189
Miscellaneous Medicare Revenues	-	351	351	3,604
Medicare Ancillary Adjustment	-	(127,158)	(127,158)	(89,860)
Total Special Services	<u>75,625</u>	<u>778,568</u>	<u>702,943</u>	<u>633,149</u>
DEDUCTIONS FROM REVENUES				
Uncollectible Accounts	-	(8,858)	(8,858)	(20,932)
OTHER OPERATING REVENUES				
Dietary:				
Meals Sold	-	2,458	2,458	210
Café Revenue	1,000	2,696	1,696	2,236
Miscellaneous Services:				
OBRA Screening	500	1,435	935	960
Other	-	551	551	1,473
Interest on Delinquent Accounts	-	663	663	1,369
Total Other Operating Revenues	<u>1,500</u>	<u>7,803</u>	<u>6,303</u>	<u>6,248</u>
Total Operating Revenues	<u>3,771,798</u>	<u>4,204,766</u>	<u>432,968</u>	<u>3,896,724</u>

**ST. CROIX COUNTY NURSING HOME
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014			2013
	Original Budget	Actual	Variance	Actual
DAILY PATIENT SERVICES				
Salaries and Wages	\$ 1,581,729	\$ 1,613,543	\$ (31,814)	\$ 1,611,822
Fringe Benefits	637,703	714,433	(76,730)	687,749
Supplies and Expenses	93,975	92,471	1,504	97,045
Over-the-Counter Drugs	6,279	8,734	(2,455)	6,754
Total Daily Patient Services	2,319,686	2,429,181	(109,495)	2,403,370
SPECIAL SERVICES				
Speech Therapy - Purchased	9,000	62,110	(53,110)	18,222
Occupational Therapy - Purchased	84,000	117,411	(33,411)	108,605
Laboratory Supplies	5,500	6,525	(1,025)	7,117
Physical Therapy - Purchased	78,500	92,284	(13,784)	88,317
Outpatient Therapy	500	5,512	(5,012)	4,348
Flu Vaccines	1,360	124	1,236	886
X-Ray Purchased	2,000	19,643	(17,643)	1,575
Activity Therapy:				
Salaries and Wages	93,548	103,116	(9,568)	87,464
Fringe Benefits	29,523	47,761	(18,238)	41,870
Craft Supplies and Activities	1,250	2,123	(873)	1,029
Transportation	500	417	83	197
Social Services:				
Salaries and Wages	55,154	57,536	(2,382)	42,985
Fringe Benefits	15,468	15,059	409	11,590
Supplies and Expenses	500	1,011	(511)	506
Physician - Consultant	18,000	18,000	-	18,000
Pharmacist - Consultant	800	1,566	(766)	864
Pharmaceuticals	55,000	88,161	(33,161)	60,392
Psychiatrist - Consultant	4,000	4,000	-	4,438
Total Special Services	454,603	642,359	(187,756)	498,405
GENERAL SERVICES				
Dietary:				
Salaries and Wages	-	22,826	(22,826)	298,559
Fringe Benefits	-	27,225	(27,225)	104,179
Purchased Services	409,483	408,168	1,315	-
Supplies and Expenses	-	8,224	(8,224)	17,055
Food	1,000	24,695	(23,695)	132,032
Consultant	4,250	6,990	(2,740)	4,296
Maintenance:				
Salaries and Wages	-	51,002	(51,002)	-
Fringe Benefits	-	11,193	(11,193)	-
Purchased Services	100,000	-	100,000	76,503
Supplies and Expenses	43,000	79,060	(36,060)	48,273
Housekeeping:				
Salaries and Wages	92,796	77,594	15,202	91,514
Fringe Benefits	34,909	31,425	3,484	61,660
Supplies and Expenses	19,500	13,056	6,444	18,973
Laundry:				
Salaries and Wages	63,038	59,016	4,022	77,549
Fringe Benefits	46,588	46,677	(89)	49,011
Supplies and Expenses	14,000	16,683	(2,683)	9,120
Total General Services	828,564	883,834	(55,270)	988,724

**ST. CROIX COUNTY NURSING HOME
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014			2013
	Original Budget	Actual	Variance	Actual
ADMINISTRATIVE SERVICES				
Accounting:				
Salaries and Wages	\$ 82,871	\$ 84,010	\$ (1,139)	\$ 71,070
Fringe Benefits	41,623	42,177	(554)	36,734
Auditing and Special Accounting	19,000	15,700	3,300	15,080
Supplies and Expenses	950	-	950	-
General Administrative:				
Administrator Salaries and Wages	58,803	43,734	15,069	77,249
General Administrative Salaries	-	-	-	4,548
Fringe Benefits	9,053	17,671	(8,618)	28,470
Computer Supplies	14,800	13,503	1,297	8,065
Computer Technology	-	-	-	599
Purchased Services	-	13,220	(13,220)	17,645
Employee Travel	3,750	4,191	(441)	6,614
Nursing Home Dues and Assessments	6,000	5,268	732	2,693
Telephone	500	1,588	(1,088)	2,738
Cable TV	5,200	6,065	(865)	5,163
Supplies and Expenses	2,900	11,929	(9,029)	9,233
Postage	1,000	1,862	(862)	982
Copier Charges	1,600	1,284	316	1,517
Staff Development	8,000	20,914	(12,914)	7,766
Bed Assessment Tax	120,000	102,000	18,000	102,000
Fines and Assessments	500	300	200	400
Background Checks	-	100	(100)	160
Advertising and Promotion	-	75	(75)	-
Total Administrative Services	<u>376,550</u>	<u>385,966</u>	<u>(9,416)</u>	<u>398,726</u>
UNASSIGNED				
Electricity	63,000	71,691	(8,691)	69,230
Gas and Oil	37,000	51,625	(14,625)	33,728
Water and Sewer	30,000	28,449	1,551	32,470
Diesel for Power Plant	-	(590)	590	1,028
Depreciation (Not Budgeted)/				
Capital Outlay	-	146,031	(146,031)	169,584
Insurance	55,000	74,812	(19,812)	75,556
Worker's Compensation				
(Unallocated)	55,000	55,000	-	75,000
Total Unassigned	<u>240,000</u>	<u>427,018</u>	<u>(187,018)</u>	<u>456,596</u>
Total Operating Expenses	<u>\$ 4,219,403</u>	<u>\$ 4,768,358</u>	<u>\$ (548,955)</u>	<u>\$ 4,745,821</u>

**ST. CROIX COUNTY NURSING HOME
 DETAILED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014			2013
	Original Budget	Actual	Variance	Actual
NONOPERATING REVENUES (EXPENSES):				
Supplemental Payment Revenue	\$ 390,790	\$ 498,795	\$ 108,005	\$ 282,358
Property Tax Revenue	56,815	56,815	-	333,002
Transfers from County	-	22,000	22,000	1,712
Other Non-Operating Revenues and Expenses	-	11,276	11,276	94,834
Restricted Funds Expended	-	(9,702)	(9,702)	(13,956)
Total Non-Operating Revenues (Expenses)	<u>447,605</u>	<u>579,184</u>	<u>131,579</u>	<u>697,950</u>
 Excess (Deficit) of Revenues Over Expenses	 <u>\$ -</u>	 <u>\$ 15,592</u>	 <u>\$ 15,592</u>	 <u>\$ (151,147)</u>

(This page intentionally left blank)



**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, 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 St. Croix County Nursing Home, which comprise the statement of financial position as of December 31, 2014, 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 8, 2015.

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 deficiencies 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 2014-1 and 2014-2 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
April 8, 2015

**ST. CROIX COUNTY NURSING HOME
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2014**

A. FINDINGS – FINANCIAL STATEMENTS AUDIT

FINDING: 2014-1 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 (CONTINUED)
YEAR ENDED DECEMBER 31, 2014**

A. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

FINDING: 2014-2 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.