

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

FAIRVIEW NURSING HOME
(DODGE COUNTY NURSING HOME)
DODGE CENTER, MINNESOTA

YEARS ENDED DECEMBER 31,
2005 AND 2004

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

Tax Increment Financing, Investment and Finance - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

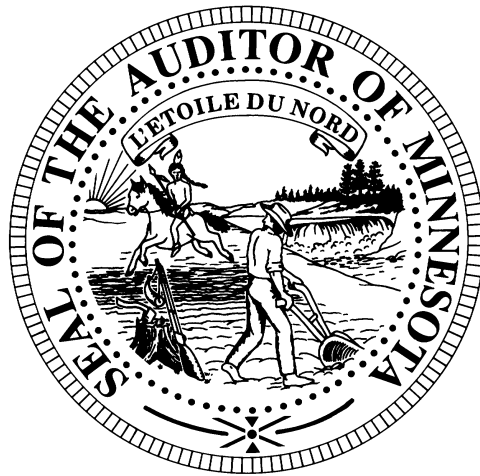
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**FAIRVIEW NURSING HOME
(DODGE COUNTY NURSING HOME)
DODGE CENTER, MINNESOTA**

**Years Ended December 31,
2005 and 2004**



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Financial Statements		
Comparative Statement of Net Assets	Exhibit 1	4
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets	Exhibit 2	6
Comparative Statement of Cash Flows	Exhibit 3	7
Notes to the Financial Statements		9
Supplemental Information		
Detailed Data on Operations	Schedule 1	19
Management and Compliance Section		
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

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**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2005

		<u>Term Expires</u>
Elected		
Board Members		
Chair	Lyle Tjosaas	January 2006
Vice Chair	David Erickson	January 2006
Secretary	Don Gray	January 2006
Member	David Hanson	January 2006
Member	Klaus Alberts, Jr.	January 2006
Appointed		
Officer	Jane Sheeran	Indefinite
Administrator		

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STATE OF MINNESOTA

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PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Fairview Nursing Home

We have audited the accompanying financial statements of Fairview Nursing Home, an enterprise fund of Dodge County, as of December 31, 2005 and 2004, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Nursing Home's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only Fairview Nursing Home and are not intended to present fairly the financial position of Dodge County and the results of its operations and the cash flows of its proprietary fund types in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fairview Nursing Home as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Fairview Nursing Home. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2006, on our consideration of Fairview Nursing Home's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: March 22, 2006

FINANCIAL STATEMENTS

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**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

EXHIBIT 1

**COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31, 2005 AND 2004**

	2005	2004
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 92,638	\$ 9,231
Petty cash and change funds	400	400
Accounts receivable - net	91,010	174,546
Due from other governments - net	376,164	304,248
Total unrestricted current assets	\$ 560,212	\$ 488,425
Restricted assets		
Cash and pooled investments	56,394	301,834
Total current assets	\$ 616,606	\$ 790,259
Noncurrent assets		
Deferred debt issue costs	\$ 2,689	\$ 3,131
Capital assets		
Nondepreciable	15,600	15,600
Depreciable - net	679,096	727,270
Total Assets	\$ 1,313,991	\$ 1,536,260
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 74,968	\$ 92,131
Salaries payable	35,781	28,901
Compensated absences payable - current	63,124	69,955
Due to Dodge County General Fund	-	3,416
Due to other governments	25,758	3,013
Total current liabilities	\$ 199,631	\$ 197,416
Current liabilities payable from restricted assets		
Contracts payable	\$ -	\$ 19,752
Interest payable	5,515	7,669
General obligation bonds payable - current	99,638	51,657
Total current liabilities payable from restricted assets	\$ 105,153	\$ 79,078
Total current liabilities	\$ 304,784	\$ 276,494

**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

***EXHIBIT 1
(Continued)***

**COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31, 2005 AND 2004**

	2005	2004
<u>Liabilities (Continued)</u>		
Noncurrent liabilities		
Compensated absences payable - long-term	\$ 99,393	\$ 100,355
General obligation bonds payable - long-term	285,430	384,318
Total noncurrent liabilities	\$ 384,823	\$ 484,673
Total Liabilities	\$ 689,607	\$ 761,167
<u>Net Assets</u>		
Invested in capital assets, net of related debt	\$ 312,317	\$ 651,889
Unrestricted	312,067	123,204
Total Net Assets	\$ 624,384	\$ 775,093

**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

EXHIBIT 2

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
Operating Revenues		
Charges for services	\$ 3,601,260	\$ 3,524,718
Miscellaneous	543	2,838
	\$ 3,601,803	\$ 3,527,556
Operating Expenses		
Personal services	\$ 2,237,813	\$ 2,411,632
Professional services	478,018	464,070
Other services and charges	190,384	258,928
Supplies	295,057	312,029
Utilities	69,251	63,158
Insurance	110,172	142,439
Repairs and maintenance	635,670	72,977
Depreciation	58,417	61,053
	\$ 4,074,782	\$ 3,786,286
Operating Income (Loss)	\$ (472,979)	\$ (258,730)
Nonoperating Revenues (Expenses)		
Interest income	\$ 821	\$ 391
Gifts and contributions	4,329	20,833
Gain (loss) on sale/disposal of capital assets	-	(7,212)
Interest expense	(18,131)	(13,894)
Amortization of debt costs	-	(596)
	\$ (12,981)	\$ (478)
Income (Loss) Before Transfers	\$ (485,960)	\$ (259,208)
Transfers in	335,251	216,000
Change in Net Assets	\$ (150,709)	\$ (43,208)
Net Assets - January 1	775,093	818,301
Net Assets - December 31	\$ 624,384	\$ 775,093

**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

EXHIBIT 3

**COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
Increase (Decrease) in Cash and Cash Equivalents**

	2005	2004
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 3,611,800	\$ 3,618,136
Receipts from contributions	4,329	20,833
Payments to suppliers	(1,794,515)	(1,314,184)
Payments to employees	(2,238,726)	(2,553,901)
Net cash provided by (used in) operating activities	\$ (417,112)	\$ (229,116)
Cash Flows From Noncapital Financing Activities		
Advance from Dodge County General Fund	\$ 100,000	\$ 314,000
Return of advance	(100,000)	(158,000)
Transfer in	335,251	-
Net cash provided by (used in) noncapital financing activities	\$ 335,251	\$ 156,000
Cash Flows From Capital and Related Financing Activities		
Proceeds from issuance of bonds	\$ -	\$ 335,000
Prepaid interest bonds received	-	446
Principal paid on long-term debt	(51,657)	(48,838)
Interest paid on long-term debt	(19,093)	(8,142)
Bond issue costs and discount	-	(9,047)
Proceeds from sales of capital assets	-	787
Purchases of capital assets	(10,243)	(5,328)
Net cash provided by (used in) capital and related financing activities	\$ (80,993)	\$ 264,878
Cash Flows From Investing Activities		
Investment earnings received	\$ 821	\$ 396
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (162,033)	\$ 192,158
Cash and Cash Equivalents at January 1	311,465	119,307
Cash and Cash Equivalents at December 31	\$ 149,432	\$ 311,465
Cash and Cash Equivalents		
Cash and pooled investments	\$ 92,638	\$ 9,231
Petty cash and change funds	400	400
Restricted cash and pooled investments	56,394	301,834
Total Cash and Cash Equivalents	\$ 149,432	\$ 311,465

**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

**EXHIBIT 3
(Continued)**

**COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
Increase (Decrease) in Cash and Cash Equivalents**

	2005	2004
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (472,979)	\$ (258,730)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Receipts from contributions	\$ 4,329	\$ 20,833
Depreciation expense	58,417	61,053
(Increase) decrease in accounts receivable	83,536	384,805
(Increase) decrease in due from other governments	(71,916)	(304,248)
Increase (decrease) in accounts payable	(17,163)	(117)
Increase (decrease) in contracts payable from restricted assets	(19,752)	19,752
Increase (decrease) in salaries payable	6,880	(93,644)
Increase (decrease) in compensated absences payable	(7,793)	(48,625)
Increase (decrease) in due to Dodge County General Fund	(3,416)	(110)
Increase (decrease) in due to other governments	22,745	(260)
Increase (decrease) in unearned revenue	-	(9,825)
Total adjustments	\$ 55,867	\$ 29,614
Net Cash Provided By (Used in) Operating Activities	\$ (417,112)	\$ (229,116)

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**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. Summary of Significant Accounting Policies

The Fairview Nursing Home's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2005. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Pursuant to Governmental Accounting Standards Board Statement 20, the Nursing Home has elected to apply FASB statements issued on or before November 30, 1989. The more significant accounting policies established in GAAP, and used by the Nursing Home, are discussed below.

A. Financial Reporting Entity

The Fairview Nursing Home was established pursuant to Minn. Stat. § 376.55-.60 to provide care to chronically ill or convalescent persons. The Fairview Nursing Home Board consists of five Dodge County Commissioners.

The current nursing home facility was completed in 1976 and is classified as a skilled-care facility. The capacity of the facility is 72 beds and the rate of occupancy was 92.37 percent in 2005 and 82.02 percent in 2004. The Board agreed to enter into a layaway program with the State permitting the Nursing Home to take seven licensed beds in May 2004 and an additional 10 beds in February 2005 temporarily out of service and have those beds treated as though they were de-licensed.

The Fairview Nursing Home is owned and operated by Dodge County. Therefore, the Nursing Home is an integral part of the County's financial reporting entity. The Nursing Home's financial statements are included in Dodge County's financial statements as an enterprise fund.

B. Measurement Focus and Basis of Accounting

The Nursing Home accounts are organized as an enterprise fund of the County. The enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when

**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Measurement Focus and Basis of Accounting (Continued)

earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund's principal ongoing activities. The principal operating revenues of the Nursing Home are charges for services to citizens. Operating expenses for the enterprise fund include costs of providing services to citizens, administrative expenses, and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities, and Net Assets

1. Cash and Investments

The Nursing Home's cash balance is combined with Dodge County funds and invested with the County's pooled investments. Investments are reported at their fair value at December 31, 2005, based on market prices. For the purposes of the statement of cash flows, the cash balance in the County's pooled investments (including amounts shown as restricted assets) is considered to be cash equivalents.

2. Receivables and Payables

The Nursing Home uses the direct write-off method for uncollectible accounts. Charges to this account are made on an individual case basis. Various Nursing Home accounts totaling \$38,141 and \$36,209 were considered uncollectible at December 31, 2005 and 2004, respectively.

3. Restricted Assets

Certain funds of the Nursing Home are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable law and regulations.

**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Assets, Liabilities, and Net Assets

3. Restricted Assets (Continued)

Fairview Nursing Home restricted assets are set aside to secure outstanding debt. It is the Nursing Home's policy to first use restricted assets when both current and restricted assets are available to finance expenses.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are defined by the Nursing Home as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Property, plant, and equipment of the Nursing Home, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	35
Improvements other than buildings	20
Fixed equipment	10 - 35
Movable equipment	5 - 15

5. Compensated Absences

Under the Nursing Home's personnel policies, employees are granted personal time off (PTO) in varying amounts based on their length of service and whether they are salaried or paid hourly. PTO accrual varies from 23.5 to 47.5 days per year. Upon termination, the dollar value of PTO is paid out at 100 percent to a maximum of 480 hours.

**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Assets, Liabilities, and Net Assets (Continued)

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Detailed Notes

A. Assets

Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 15,600	\$ -	\$ -	\$ 15,600
Capital assets depreciated				
Buildings	\$ 1,243,239	\$ -	\$ -	\$ 1,243,239
Improvements other than buildings	83,336	-	-	83,336
Equipment	694,374	10,243	13,336	691,281
Total capital assets depreciated	\$ 2,020,949	\$ 10,243	\$ 13,336	\$ 2,017,856
Less: accumulated depreciation for				
Buildings	\$ 649,831	\$ 34,924	\$ -	\$ 684,755
Improvements other than buildings	80,744	927	-	81,671
Equipment	563,104	22,566	13,336	572,334
Total accumulated depreciation	\$ 1,293,679	\$ 58,417	\$ 13,336	\$ 1,338,760
Total capital assets depreciated - net	\$ 727,270	\$ (48,174)	\$ -	\$ 679,096
Total Capital Assets - Net	\$ 742,870	\$ (48,174)	\$ -	\$ 694,696

**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

2. Detailed Notes

A. Assets

Capital Assets (Continued)

Included in the increase column are \$10,243 of new capital assets. Depreciation expense of \$58,417 was expensed in 2005.

Capital asset activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 15,600	\$ -	\$ -	\$ 15,600
Capital assets depreciated				
Buildings	\$ 1,243,757	\$ -	\$ 518	\$ 1,243,239
Improvements other than buildings	87,408	-	4,072	83,336
Equipment	772,067	18,484	96,177	694,374
Total capital assets depreciated	\$ 2,103,232	\$ 18,484	\$ 100,767	\$ 2,020,949
Less: accumulated depreciation for				
Buildings	\$ 615,356	\$ 34,981	\$ 506	\$ 649,831
Improvements other than buildings	83,828	988	4,072	80,744
Equipment	613,054	38,240	88,190	563,104
Total accumulated depreciation	\$ 1,312,238	\$ 74,209	\$ 92,768	\$ 1,293,679
Total capital assets, depreciated - net	\$ 790,994	\$ (55,725)	\$ 7,999	\$ 727,270
Total Capital Assets - Net	\$ 806,594	\$ (55,725)	\$ 7,999	\$ 742,870

B. Liabilities

1. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2005	Outstanding Balance December 31, 2004
1996 G.O. Nursing Home Revenue Notes	2006	\$ 28,490	5.690	\$ 430,000	\$ 54,638	\$ 106,295
2004 G.O. Nursing Home Revenue Notes	2012	\$52,075 - \$57,700	2.50 - 4.15	335,000	335,000	335,000
Less: unamortized discount					(4,570)	(5,320)
Total General Obligation Bonds					\$ 385,068	\$ 435,975

**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

2. Detailed Notes

B. Liabilities (Continued)

2. Debt Service Requirements

General obligation debt service requirements at December 31 were as follows:

Year Ending December 31	2005		2004	
	Principal	Interest	Principal	Interest
2005	\$ -	\$ -	\$ 51,657	\$ 18,743
2006	99,638	13,283	99,638	13,283
2007	45,000	9,758	45,000	9,758
2008	45,000	8,420	45,000	8,420
2009	50,000	6,825	50,000	6,825
2010	50,000	5,012	50,000	5,012
2011 - 2012	100,000	4,113	100,000	4,113
Total	\$ 389,638	\$ 47,411	\$ 441,295	\$ 66,154

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
G.O. revenue notes	\$ 441,295	\$ -	\$ 51,657	\$ 389,638	\$ 99,638
Less: unamortized discount	(5,320)	-	(750)	(4,570)	(750)
Total bonds payable	\$ 435,975	\$ -	\$ 50,907	\$ 385,068	\$ 98,888
Compensated absences	170,310	-	7,793	162,517	63,124
Total Long-Term Liabilities	\$ 606,285	\$ -	\$ 58,700	\$ 547,585	\$ 162,012

**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

2. Detailed Notes

B. Liabilities

3. Changes in Long-Term Liabilities (Continued)

Long-term liability activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
G.O. revenue notes	\$ 155,133	\$ 335,000	\$ 48,838	\$ 441,295	\$ 51,657
Less: unamortized discount	-	(5,695)	(375)	(5,320)	(751)
Total bonds payable	\$ 155,133	\$ 329,305	\$ 48,463	\$ 435,975	\$ 50,906
Compensated absences	218,935	16,431	65,056	170,310	69,955
Total Long-Term Liabilities	<u>\$ 374,068</u>	<u>\$ 345,736</u>	<u>\$ 113,519</u>	<u>\$ 606,285</u>	<u>\$ 120,861</u>

C. Interfund Activities and Balances

Advances/Transfers

Changes in advances payable to the Dodge County General Fund for the years ending December 31 were:

	2005	2004
Payable - January 1	\$ -	\$ 60,000
Loans made	100,000	314,000
Loans repaid	100,000	(158,000)
Loans forgiven - reported as a transfer in	-	(216,000)
Payable - December 31	<u>\$ -</u>	<u>\$ -</u>

Interfund transfers for the year ended December 31, 2005, consisted of a transfer of \$335,251 from the General Fund to provide funding.

**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

2. Detailed Notes

C. Interfund Activities and Balances (Continued)

Due to General Fund

At December 31, the Nursing Home reports the following amounts due the Dodge County General Fund for routine interfund transactions.

	<u>2005</u>	<u>2004</u>
Due to Dodge County General Fund	\$ -	\$ 3,416

3. Pension Plans

A. Plan Description

All full-time and certain part-time employees of the Fairview Nursing Home are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

3. Pension Plans

A. Plan Description (Continued)

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The Nursing Home makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.5 percent. The Nursing Home is required to contribute the following percentages of annual covered payroll:

In 2005

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53

In 2006

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.00

**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

3. Pension Plans

B. Funding Policy (Continued)

The Nursing Home's contributions for the years ending December 31, 2005, 2004, and 2003, were \$88,136, \$99,181, and \$97,064, respectively, equal to the contractually required contributions for each year as set by state statute.

4. Risk Management

The Nursing Home is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. Risks of loss associated with workers' compensation are covered through Minnesota Counties Insurance Trust (MCIT) as the Nursing Home is a member through Dodge County. For all other risks, the Nursing Home carries commercial insurance. The Nursing Home retains risk for the deductible portions of the insurance policies. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$760,000 and \$390,000 per claim in 2005 and 2006, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

SUPPLEMENTAL INFORMATION

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**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

Schedule 1

**DETAILED DATA ON OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
Operating Revenues		
Charges for services		
Nursing Home	\$ 3,601,260	\$ 3,524,718
Miscellaneous revenue	543	2,838
	\$ 3,601,803	\$ 3,527,556
Operating Expenses		
Nursing Home		
Administration		
Personal services	\$ 190,867	\$ 188,104
Professional services	42,896	45,925
Other services and charges	20,332	22,901
Supplies	7,258	7,766
Utilities	6,370	8,314
Insurance	107,308	132,525
Property and related		
Other services and charges	2,498	8,136
Nursing services		
Personal services	1,406,951	1,575,852
Professional services	1,522	13,072
Other services and charges	9,366	15,803
Supplies	77,509	82,590
Nursing Home services		
Professional services	378,618	349,798
Supplies	51,393	44,255
Resident coordinator services		
Personal services	127,507	133,586
Professional services	-	6,502
Other services and charges	345	-
Supplies	6,138	-
Dietary services		
Personal services	291,631	286,162
Professional services	3,360	4,085
Other services and charges	316	229
Supplies	115,474	137,613
Laundry services		
Personal services	46,914	36,853
Professional services	29,239	26,366
Other services and charges	-	488
Supplies	5,972	4,854
Housekeeping services		
Personal services	108,555	122,457
Supplies	17,310	18,308

**FAIRVIEW NURSING HOME
DODGE CENTER, MINNESOTA**

Schedule 1
(Continued)

**DETAILED DATA ON OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
Operating Expenses		
Nursing Home (Continued)		
Maintenance services		
Personal services	65,388	68,618
Professional services	15,976	17,488
Other services and charges	157,527	196,947
Repair and maintenance	635,670	32,095
Supplies	14,003	10,141
Utilities	62,881	54,844
Special operations		
Professional services	6,407	7,336
Renovations		
Other services and charges	-	55,306
Unallocated		
Insurance	2,864	9,914
Depreciation	58,417	61,053
Total Operating Expenses	\$ 4,074,782	\$ 3,786,286
Operating Income (Loss)	\$ (472,979)	\$ (258,730)
Nonoperating Revenues (Expenses)		
Interest income	\$ 821	\$ 391
Contributions and donations	4,329	20,833
Interest expense	(18,131)	(13,894)
Bond issue expense	-	(596)
Gain (loss) on disposal of fixed assets	-	(7,212)
Total Nonoperating Revenues (Expenses)	\$ (12,981)	\$ (478)
Net Income (Loss) Before Transfers	\$ (485,960)	\$ (259,208)
Transfers in	335,251	216,000
Change in Net Assets	\$ (150,709)	\$ (43,208)
Net Assets - January 1	775,093	818,301
Net Assets - December 31	\$ 624,384	\$ 775,093

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON
STATE AUDITOR

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of County Commissioners
Fairview Nursing Home

We have audited the financial statements of the Fairview Nursing Home as of and for the year ended December 31, 2005, and have issued our report thereon dated March 22, 2006. 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 the Fairview Nursing Home's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fairview 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*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains five categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness and claims and disbursements. Our study included all of the listed categories, except that we did not test for compliance in deposits and investments and conflicts of interest because Dodge County manages Fairview Nursing Home's cash and investments, and payroll is integrated for all County operations.

The results of our tests indicate that, for the items tested, Fairview Nursing Home complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Nursing Home Board members and management and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: March 22, 2006