

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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

YEARS ENDED DECEMBER 31,  
2004 AND 2003

## **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,  
2004 and 2003**



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

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**FAIRVIEW NURSING HOME  
DODGE CENTER, MINNESOTA**

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**FAIRVIEW NURSING HOME  
DODGE CENTER, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2004

		<u>Term Expires</u>
Elected		
Board Members		
Chair	David Hanson	January 2005
Vice Chair	Lyle Tjosaas	January 2005
Secretary	Don Gray	January 2005
Member	David Erickson	January 2005
Member	Klaus Alberts, Jr.	January 2005
Appointed		
Officer	Jane Sheeran	Indefinite
Administrator		

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# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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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, 2004 and 2003, 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, 2004 and 2003, 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 16, 2005, 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 16, 2005

## **FINANCIAL STATEMENTS**

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**FAIRVIEW NURSING HOME  
DODGE CENTER, MINNESOTA**

**EXHIBIT 1**

**COMPARATIVE STATEMENT OF NET ASSETS  
DECEMBER 31, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b><u>Assets</u></b>		
Current assets		
Cash and pooled investments	\$ 9,231	\$ 109,167
Petty cash and change funds	400	400
Accounts receivable - net	174,546	559,351
Due from other governments - net	304,248	-
Accrued interest receivable	-	5
	<b>\$ 488,425</b>	<b>\$ 668,923</b>
Restricted assets		
Cash and pooled investments	<b>\$ 301,834</b>	<b>\$ 9,740</b>
Noncurrent assets		
Deferred debt issue costs	\$ 3,131	\$ -
Capital assets		
Nondepreciable	15,600	15,600
Depreciable (net)	727,270	790,994
<b>Total Assets</b>	<b>\$ 1,536,260</b>	<b>\$ 1,485,257</b>
<b><u>Liabilities</u></b>		
Current liabilities		
Accounts payable	\$ 92,131	\$ 92,248
Salaries payable	28,901	122,545
Compensated absences payable - current	69,955	65,056
Due to Dodge County General Fund	3,416	3,526
Due to other governments	3,013	3,273
Deferred revenue	-	9,825
<b>Total current liabilities</b>	<b>\$ 197,416</b>	<b>\$ 296,473</b>
Current liabilities payable from restricted assets		
Contracts payable	\$ 19,752	\$ -
Interest payable	7,669	1,471
General obligation bonds payable - current	51,657	48,839
<b>Total current liabilities payable from restricted assets</b>	<b>\$ 79,078</b>	<b>\$ 50,310</b>
Noncurrent liabilities		
Compensated absences payable - long-term	\$ 100,355	\$ 153,879
Advance from Dodge County General Fund	-	60,000
General obligation bonds payable - long-term	384,318	106,294
<b>Total noncurrent liabilities</b>	<b>\$ 484,673</b>	<b>\$ 320,173</b>
<b>Total Liabilities</b>	<b>\$ 761,167</b>	<b>\$ 666,956</b>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	\$ 651,889	\$ 659,730
Unrestricted	123,204	158,571
<b>Total Net Assets</b>	<b>\$ 775,093</b>	<b>\$ 818,301</b>

**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, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b>Operating Revenues</b>		
Charges for services	\$ 3,524,718	\$ 3,920,099
Intergovernmental	-	2,387
Miscellaneous	2,838	1,100
	<b>\$ 3,527,556</b>	<b>\$ 3,923,586</b>
<b>Operating Expenses</b>		
Personal services	\$ 2,411,632	\$ 2,638,596
Professional services	464,070	590,242
Other services and charges	258,928	202,890
Supplies	312,029	372,929
Utilities	63,158	71,982
Insurance	142,439	128,796
Licenses and dues	72,977	14,998
Depreciation	61,053	67,168
	<b>\$ 3,786,286</b>	<b>\$ 4,087,601</b>
<b>Operating Income (Loss)</b>	<b>\$ (258,730)</b>	<b>\$ (164,015)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	\$ 391	\$ 285
Gifts and contributions	20,833	-
Gain (loss) on sale/disposal of capital assets	(7,212)	-
Interest expense	(13,894)	(10,369)
Amortization of debt costs	(596)	-
	<b>\$ (478)</b>	<b>\$ (10,084)</b>
<b>Income Before Transfers</b>	<b>\$ (259,208)</b>	<b>\$ (174,099)</b>
Transfers in	216,000	-
<b>Change in Net Assets</b>	<b>\$ (43,208)</b>	<b>\$ (174,099)</b>
<b>Net Assets - January 1</b>	<b>818,301</b>	<b>992,400</b>
<b>Net Assets - December 31</b>	<b>\$ 775,093</b>	<b>\$ 818,301</b>

**FAIRVIEW NURSING HOME  
DODGE CENTER, MINNESOTA**

**EXHIBIT 3**

**COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
Increase (Decrease) in Cash and Cash Equivalents**

	<b>2004</b>	<b>2003</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and users	\$ 3,618,136	\$ 4,133,685
Receipts from operating grants	-	2,387
Receipts from contributions	20,833	-
Payments to suppliers	(1,314,184)	(1,377,076)
Payments to employees	(2,553,901)	(2,674,595)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (229,116)</b>	<b>\$ 84,401</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Advance from Dodge County General Fund	\$ 314,000	\$ 209,000
Return of advance	(158,000)	(149,000)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ 156,000</b>	<b>\$ 60,000</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from issuance of bonds	\$ 335,000	\$ -
Prepaid interest bonds received	446	-
Principal paid on long-term debt	(48,838)	(46,173)
Interest paid on long-term debt	(8,142)	(10,807)
Bond issue costs and discount	(9,047)	-
Proceeds from sales of capital assets	787	-
Purchases of capital assets	(5,328)	(6,462)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ 264,878</b>	<b>\$ (63,442)</b>
<b>Cash Flows From Investing Activities</b>		
Investment earnings received	\$ 396	\$ 280
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 192,158</b>	<b>\$ 81,239</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>119,307</b>	<b>38,068</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 311,465</b>	<b>\$ 119,307</b>
<b>Cash and Cash Equivalents</b>		
Cash and pooled investments	\$ 9,231	\$ 109,167
Petty cash and change funds	400	400
Restricted cash and pooled investments	301,834	9,740
<b>Total Cash and Cash Equivalents</b>	<b>\$ 311,465</b>	<b>\$ 119,307</b>

**FAIRVIEW NURSING HOME  
DODGE CENTER, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
Increase (Decrease) in Cash and Cash Equivalents**

	2004	2003
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>		
Operating income	\$ (258,730)	\$ (164,015)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Receipts from contributions	\$ 20,833	\$ -
Depreciation expense	61,053	67,168
(Increase) decrease in accounts receivable	384,805	202,661
(Increase) decrease in due from other governments	(304,248)	-
Increase (decrease) in accounts payable	(117)	944
Increase (decrease) in contracts payable from restricted assets	19,752	-
Increase (decrease) in salaries payable	(93,644)	(7,054)
Increase (decrease) in compensated absences payable	(48,625)	(28,945)
Increase (decrease) in due to Dodge County General Fund	(110)	1,256
Increase (decrease) in due to other governments	(260)	2,561
Increase (decrease) in unearned revenue	(9,825)	9,825
<b>Total adjustments</b>	<b>\$ 29,614</b>	<b>\$ 248,416</b>
<b>Net Cash Provided By (Used in) Operating Activities</b>	<b>\$ (229,116)</b>	<b>\$ 84,401</b>

**Noncash Capital Activities:**

Dodge County transferred to the Nursing Home fully depreciated capital assets with an original cost of \$13,156.

**FAIRVIEW NURSING HOME  
DODGE CENTER, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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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, 2004. 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 82.02 percent in 2004 and 92.66 percent in 2003. In May 2004, the Board agreed to enter into a layaway program with the State permitting the Nursing Home to take seven licensed beds 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**

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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, 2004, 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 \$36,209 and \$63,771 were considered uncollectible at December 31, 2004 and 2003, 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**

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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 County'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 asset's 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 to 35
Movable equipment	5 to 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, 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	613,064	38,240	88,190	563,114
Total accumulated depreciation	\$ 1,312,238	\$ 74,209	\$ 92,768	\$ 1,293,679
Total capital assets, depreciated - net	\$ 790,994	\$ (55,725)	\$ -	\$ 727,270
Total Capital Assets - Net	\$ 806,594	\$ (55,725)	\$ -	\$ 742,870

**FAIRVIEW NURSING HOME  
DODGE CENTER, MINNESOTA**

2. Detailed Notes

A. Assets

Capital Assets (Continued)

Included in the increase column are \$13,156 of capital assets, fully depreciated, transferred to the Nursing Home. Depreciation expense of \$61,053 was expensed in 2004.

Capital asset activity for the year ended December 31, 2003, 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	\$ -	\$ -	\$ 1,243,757
Improvements other than buildings	87,408	-	-	87,408
Equipment	766,873	6,462	1,268	772,067
Total capital assets depreciated	\$ 2,098,038	\$ 6,462	\$ 1,268	\$ 2,103,232
Less: accumulated depreciation for				
Buildings	\$ 580,295	\$ 35,061	\$ -	\$ 615,356
Improvements other than buildings	82,521	1,307	-	83,828
Equipment	583,522	30,800	1,268	613,054
Total accumulated depreciation	\$ 1,246,338	\$ 67,168	\$ 1,268	\$ 1,312,238
Total capital assets, depreciated - Net	\$ 851,700	\$ (60,706)	\$ -	\$ 790,994
Total Capital Assets – Net	\$ 867,300	\$ (60,706)	\$ -	\$ 806,594

B. Liabilities

1. Long-Term Debt

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2004	Outstanding Balance December 31, 2003
1996 G.O. Nursing Home Revenue Notes	2006	\$ 28,490	5.690	\$ 430,000	\$ 106,295	\$ 155,133
2004 G.O Nursing Home Revenue Notes	2012	52,075 - 57,700	2.50-4.15	335,000	335,000	-
Less: unamortized discount					(5,320)	-
Total General Obligation Bonds					\$ 435,975	\$ 155,133

**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	2004		2003	
	Principal	Interest	Principal	Interest
2005	\$ -	\$ 13,420	\$ 51,657	\$ 5,324
2006	45,000	10,940	54,638	2,342
2007	45,000	9,758	-	-
2008	45,000	8,420	-	-
2009	50,000	6,825	-	-
2010-2012	150,000	9,125	-	-
Total	<u>\$ 335,000</u>	<u>\$ 58,488</u>	<u>\$ 106,295</u>	<u>\$ 7,666</u>

3. Changes in Long-Term Liabilities

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>

Long-term liability activity for the year ended December 31, 2003, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
G.O. revenue notes	\$ 201,306	\$ -	\$ 46,173	\$ 155,133	\$ 48,839
Compensated absences	247,880	-	28,945	218,935	65,056
Total Long-Term Liabilities	<u>\$ 449,186</u>	<u>\$ -</u>	<u>\$ 75,118</u>	<u>\$ 374,068</u>	<u>\$ 113,895</u>

**FAIRVIEW NURSING HOME  
DODGE CENTER, MINNESOTA**

2. Detailed Notes (Continued)

C. Interfund Activities and Balances

Advances/Transfers

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

	2004	2003
Payable - January 1	\$ 60,000	\$ -
Loans made	314,000	209,000
Loans repaid	(158,000)	(149,000)
Loans forgiveness - reported as a transfer in	(216,000)	-
Payable - December 31	\$ -	\$ 60,000

Due to General Fund

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

	2004	2003
Due to Dodge County General Fund	\$ 3,416	\$ 3,526

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.

**FAIRVIEW NURSING HOME  
DODGE CENTER, MINNESOTA**

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3. Pension Plans

A. Plan Description (Continued)

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.

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 web at [mnpera.org](http://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. The Nursing Home is required to contribute the following percentages of annual covered payroll:

**FAIRVIEW NURSING HOME  
DODGE CENTER, MINNESOTA**

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3. Pension Plans

B. Funding Policy (Continued)

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

The Nursing Home's contributions for the years ending December 31, 2004, 2003, and 2002, were \$99,181, \$97,064, and \$113,699, 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 \$720,000 and \$760,000 per claim in 2004 and 2005, 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.

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**SUPPLEMENTAL INFORMATION**

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**FAIRVIEW NURSING HOME  
DODGE CENTER, MINNESOTA**

**Schedule 1**

**DETAILED DATA ON OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	2004	2003
<b>Operating Revenues</b>		
<b>Charges for services</b>		
Nursing Home	\$ 3,524,718	\$ 3,877,335
Community health services	-	42,764
	<b>\$ 3,524,718</b>	<b>\$ 3,920,099</b>
Miscellaneous revenue	2,838	1,100
Operating grants	-	2,387
	<b>\$ 3,527,556</b>	<b>\$ 3,923,586</b>
<b>Operating Expenses</b>		
<b>Nursing Home</b>		
<b>Administration</b>		
Personal services	\$ 188,104	\$ 129,914
Professional services	45,925	46,064
Other services and charges	22,901	26,474
Supplies	7,766	9,937
Utilities	8,314	14,624
Insurance	132,525	81,450
<b>Property and related</b>		
Other services and charges	8,136	6,824
<b>Nursing services</b>		
Personal services	1,575,852	1,750,670
Professional services	13,072	104,808
Other services and charges	15,803	15,426
Supplies	82,590	107,724
<b>Nursing Home services</b>		
Professional services	349,798	364,445
Other services and charges	-	80
Supplies	44,255	53,228
<b>Resident coordinator services</b>		
Personal services	133,586	161,104
Professional services	6,502	-
Other services and charges	-	146
Supplies	-	5,524
<b>Dietary services</b>		
Personal services	286,162	310,906
Professional services	4,085	8,244
Other services and charges	229	-
Supplies	137,613	163,045
<b>Laundry services</b>		
Personal services	36,853	42,267
Professional services	26,366	41,960
Other services and charges	488	-
Supplies	4,854	6,794
<b>Housekeeping services</b>		
Personal services	122,457	143,026
Supplies	18,308	15,352

**FAIRVIEW NURSING HOME  
DODGE CENTER, MINNESOTA**

**Schedule 1  
(Continued)**

**DETAILED DATA ON OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	2004	2003
<b>Operating Expenses</b>		
<b>Nursing Home (Continued)</b>		
<b>Maintenance services</b>		
Personal services	68,618	71,195
Professional services	17,488	15,007
Other services and charges	196,947	148,911
Repair and maintenance	32,095	14,998
Supplies	10,141	10,914
Utilities	54,844	56,602
<b>Special operations</b>		
Professional services	7,336	7,439
<b>Renovations</b>		
Other services and charges	55,306	-
<b>Unallocated</b>		
Insurance	9,914	47,346
Depreciation	61,053	67,168
<b>Total Nursing Home</b>	<b>\$ 3,786,286</b>	<b>\$ 4,049,616</b>
<b>Community health services</b>		
Personal services	\$ -	\$ 29,514
Professional services	-	2,275
Other services and charges	-	5,029
Supplies	-	411
Utilities	-	756
<b>Total community health services</b>	<b>\$ -</b>	<b>\$ 37,985</b>
<b>Total Operating Expenses</b>	<b>\$ 3,786,286</b>	<b>\$ 4,087,601</b>
<b>Operating Income (Loss)</b>	<b>\$ (258,730)</b>	<b>\$ (164,015)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	\$ 391	\$ 285
Contributions and donations	20,833	-
Interest expense	(13,894)	(10,369)
Bond issue expense	(596)	-
Gain (loss) on disposal of fixed assets	(7,212)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (478)</b>	<b>\$ (10,084)</b>
<b>Net Income (Loss) Before Transfers</b>	<b>\$ (259,208)</b>	<b>\$ (174,099)</b>
Transfers in	216,000	-
<b>Change in Net Assets</b>	<b>\$ (43,208)</b>	<b>\$ (174,099)</b>
<b>Net Assets - January 1</b>	<b>818,301</b>	<b>992,400</b>
<b>Net Assets - December 31</b>	<b>\$ 775,093</b>	<b>\$ 818,301</b>



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**FAIRVIEW NURSING HOME  
DODGE CENTER, MINNESOTA**

**Schedule 2**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*--INTERNAL CONTROLS**

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Segregation of Duties (96-1)**

Due to the limited number of personnel within the Fairview Nursing Home, segregation of duties was not optimal.

**Resolution**

Duties are segregated between the Nursing Home business manager and the Dodge County Finance Department.

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PATRICIA ANDERSON  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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, 2004, and have issued our report thereon dated March 16, 2005. 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 16, 2005