Johnson ▲ Block
AND COMPANY, INC.
CPAs
Certified Public Accountants

AUDITED FINANCIAL STATEMENTS

BLOOMFIELD HEALTHCARE AND REHABILITATION CENTER

DECEMBER 31, 2011 AND 2010

BLOOMFIELD HEALTHCARE AND REHABILITATION CENTER

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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Johnson ▲ Block
AND COMPANY, INC.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The County Board of Supervisors
Iowa County
Dodgeville, Wisconsin

We have audited the accompanying financial statements of Bloomfield Healthcare and Rehabilitation Center, an enterprise fund of Iowa County, Wisconsin as of and for the years ended, December 31, 2011 and 2010, as listed in table of contents. These financial statements are the responsibility of Iowa County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 *Governmental 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 audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Bloomfield Healthcare and Rehabilitation Center (an enterprise fund) and do not purport to, and do not present fairly the financial position of Iowa County, Wisconsin as of December 31, 2011 and 2010, and the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bloomfield Healthcare and Rehabilitation Center of Iowa County, Wisconsin, as of December 31, 2011 and 2010, and the changes in financial position and, cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2012, on our consideration of Bloomfield Healthcare and Rehabilitation Center of Iowa County, Wisconsin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bloomfield Healthcare and Rehabilitation Center of Iowa County, Wisconsin's financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

JOHNSON BLOCK AND COMPANY, INC.

Johnson Block and Company, Inc.

October 6, 2012

Exhibit A

Bloomfield Healthcare and Rehabilitation Center

Statements of Net Assets

December 31, 2011 and 2010

		2011		2010
Assets				
Current assets:				
Operating cash	$	1,257,094	$	1,918,866
Petty cash fund		325		325
Receivables:				
Accounts		903,446		955,011
Due from other governments		256,500		
Materials and supplies		43,656		40,787
Total current assets		2,461,021		2,914,989
Restricted assets:				
Cash and investments		708,148		707,020
Total restricted assets		708,148		707,020
Capital assets				
Capital assets		5,191,716		5,169,895
Less: accumulated depreciation		(3,496,617)		(3,332,794)
Total net capital assets		1,695,099		1,837,101
Total assets	$	4,864,268	$	5,459,110

The notes to the financial statements are an integral part of this statement.

Exhibit A (Continued)
Bloomfield Healthcare and Rehabilitation Center
Statements of Net Assets
December 31, 2011 and 2010

Liabilities and Net Assets	2011	2010
Current liabilities		
Payable from current assets:		
Accounts payable	$ 117,257	$ 104,188
Due to other governments	39,438	49,771
Accrued interest	217	12,745
Current portion of general obligation debt	34,257	112,556
Accrued salaries	146,911	137,061
Deferred revenue		211,150
Total payable from current assets	338,080	627,471
Long term liabilities		
General obligation debt	34,257	472,457
Compensated absences	321,425	342,543
Less: current portion	(34,257)	(112,556)
Total long term liabilities	321,425	702,444
Total liabilities	659,505	1,329,915
Net assets		
Investment in capital assets, net of related debt	1,660,842	1,364,644
Restricted	708,148	707,020
Unrestricted	1,835,773	2,057,531
Total net assets	4,204,763	4,129,195
Total liabilities and net assets	$ 4,864,268	$ 5,459,110

The notes to the financial statements are an integral part of this statement.

Exhibit B
Bloomfield Healthcare and Rehabilitation Center
Statements of Activities
For the Years Ended December 31, 2011 and 2010

	2011	2010
Operating Revenues		
Daily service		
Resident revenue:		
Private	$ 1,260,973	$ 1,129,786
Medical assistance	2,406,808	2,459,077
Medicare	1,351,231	1,479,559
Veterans	84,174	120,693
Total daily service	5,103,186	5,189,115
Other operating revenue	232,471	146,340
Total operating revenues	5,335,657	5,335,455
Operating Expenses		
Daily resident service	3,059,003	3,001,600
Special service	701,174	640,381
General service	1,036,707	1,008,200
Administration	402,135	341,413
Unassigned	567,772	596,189
Total operating expenses	5,766,791	5,587,783
Net operating loss	(431,134)	(252,328)
Nonoperating Revenues (Expenses)		
Supplemental payment program revenue	491,550	449,954
Interest expense	(4,630)	(18,685)
Gain (loss) on disposal of equipment	1,111	(7,028)
Grant proceeds	40,006	69,919
Other nonoperating revenues	25,820	17,083
Total nonoperating revenues (expenses)	553,857	511,243
Income before contributions and transfers	122,723	258,915
Capital contribution		92,529
Transfer to other county funds	(47,155)	
Change in net assets	75,568	351,444
Total net assets - beginning	4,129,195	3,777,751
Total net assets - ending	$ 4,204,763	$ 4,129,195

The notes to the financial statements are an integral part of this statement.

Exhibit C

Bloomfield Healthcare and Rehabilitation Center

Statements of Cash Flows

For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Receipts from customers	$ 5,387,222	$ 5,000,921
Payments to employees	(2,792,684)	(2,708,977)
Payment for employee benefits	(1,285,895)	(1,235,739)
Payments to suppliers and contractors	(1,495,915)	(1,392,210)
Net cash used by operating activities	(187,272)	(336,005)
Cash Flows from Noncapital Financing Activities		
Transfer to other county funds	(47,155)	
Supplemental payment program receipts	23,900	661,104
Net cash provided by noncapital financing activities	(23,255)	661,104
Cash Flows From Capital and Related Financing Activities		
Payments for capital acquisitions	(61,696)	(379,229)
Proceeds on disposal of capital assets	1,111	
Grant proceeds	40,006	69,919
Principal paid	(438,200)	(17,158)
Interest paid	(17,158)	(20,891)
Net cash used by capital and related financing activities	(475,937)	(347,359)
Cash Flows from Investing Activities		
Receipt of interest	25,820	17,083
Purchase of investments	(675,000)	(675,000)
Receipt of investments maturing	675,000	
Cash provided by investing activities	25,820	(657,917)
Net increase in cash and cash equivalents	(660,644)	(680,177)
Cash and cash equivalents - beginning of the year	1,951,211	2,631,388
Cash and cash equivalents - end of the year	$ 1,290,567	$ 1,951,211

The notes to the financial statements are an integral part of this statement.

Exhibit C (Continued)
Bloomfield Healthcare and Rehabilitation Center
Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Reconciliation of cash and cash equivalents to balance sheet:		
Operating cash	$ 1,257,094	$ 1,918,866
Petty cash fund	325	325
Cash and investments (restricted)	708,148	707,020
Total	1,965,567	2,626,211
Less: long-term investments	(675,000)	(675,000)
Cash and cash equivalents	$ 1,290,567	$ 1,951,211

	2011	2010
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	(431,134)	(252,328)
Adjustments to reconcile:		
Depreciation	201,895	216,495
(Increase) decrease in accounts receivable	50,310	(329,876)
(Increase) decrease in materials & supplies inventory	(2,869)	1,031
Increase (decrease) in accrued salaries	9,850	12,232
Increase (decrease) in vested fringe benefits	(21,118)	16,844
Increase (decrease) in accounts payable	14,872	11,257
Increase (decrease) in due to other governments	(10,333)	(11,660)
Net cash used by operating activities	$ (188,527)	$ (336,005)

Supplemental schedule of noncash investing and financing activities:

During 2010, the county paid $92,529 for debt principal payments which represented contributed capital.

The notes to the financial statements are an integral part of this statement.

Exhibit D
Bloomfield Healthcare and Rehabilitation Center
Statement of Net Assets
Fiduciary Funds
December 31, 2011 and 2010

	2011	2010
Assets		
Manor resident cash	$8,575	$8,068
Liabilities		
Funds held for others	$8,575	$8,068

The notes to the financial statements are an integral part of this statement.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Bloomfield Healthcare and Rehabilitation Center is owned and operated as an enterprise fund by Iowa County, Wisconsin as a licensed nursing home and are not intended to present fairly the financial position of Iowa County, Wisconsin and the results of its operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America. It is the intent of the Iowa 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.

Bloomfield Healthcare and Rehabilitation Center is subject to regulation by the Wisconsin Department of Health and Family Services. Such regulation includes rate setting for residents under the Title XIX Wisconsin Medical Assistance Program as described in Note 1B.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The term, "measurement focus," is used to denote what is being measured and reported in Bloomfield Healthcare and Rehabilitation Center 's operating statement. Bloomfield Healthcare and Rehabilitation Center is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether Bloomfield Healthcare and Rehabilitation Center is better or worse off economically as a result of events and transactions of the period.

The term, "basis", of accounting is used to determine when a transaction or event is recognized on Bloomfield Healthcare and Rehabilitation Center's operating statement. Bloomfield Healthcare and Rehabilitation Center uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Bloomfield Healthcare and Rehabilitation Center has elected to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989, and all pronouncements of the Governmental Accounting Standards Board.

Bloomfield Healthcare and Rehabilitation Center is presented as an enterprise fund of Iowa County. Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business or where the governing body has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability.

The Healthcare and Rehabilitation Center distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and goods in connection with ongoing operations. The principal operating revenues of the Healthcare and Rehabilitation Center are for patient charges. Operating expenses include the cost of services, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Healthcare and Rehabilitation Center's policy to use restricted resources first, then unrestricted resources, as they are needed.

C. Income Taxes

The Healthcare and Rehabilitation Center is a government owned entity and is exempt from federal and state income taxes.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Inventories

Inventories of materials and supplies are priced at cost using the first-in, first-out method and are expensed when used.

E. Property, Plant and Equipment

Property, plant and equipment are recorded at cost or fair market value for donated property. Normal repairs and maintenance are charged to operations as incurred. Significant alterations and renovations are capitalized. Net interest costs, incurred for long-term debt issued for construction purposes, are capitalized during the period of construction. No interest was capitalized for 2011 or 2010.

Depreciation, including depreciation on capital leases, is computed on a unit basis using the straight-line method over the estimated useful lives as shown below:

	Years
Land improvements	5-30
Buildings	15-40
Fixed equipment	10-25
Major movable	5-20
Transportation vehicles	4

F. Restricted Assets

The Healthcare and Rehabilitation Center is custodian for resident's funds. The resident's fund represents cash deposited with the Healthcare and Rehabilitation Center for the use of individual residents. Balance as of December 31, 2011 and 2010 was $8,575 and $8,068, respectively.

The Healthcare and Rehabilitation Center also received money as part of a bequest which needs to be used for the entertainment of the Center's residents and can't be used for operating expenses. Balance as of December 31, 2011 and 2010 was $708,148 and $707,020 respectively.

G. Compensated Absences

Employees earn one day of sick leave for each 163 hours worked with a maximum accumulation of one hundred twenty (120) days. All employees are entitled to use their accumulated sick leave for continued payment of health insurance upon retirement. If an employee maintains at least twenty-four (24) sick days for a twelve-month period, the employee, at the end of twelve months, may be paid for half of the sick leave not used but accrued during that twelve-month period. The twelve-month period is from anniversary date to anniversary date. The benefits are financed on a pay-as-you-go basis.

Healthcare and Rehabilitation Center employees are granted vacation in varying amounts based on length of service. Vacations are generally taken in the year earned.

H. Risk Management

The Healthcare and Rehabilitation Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Healthcare and Rehabilitation Center maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Healthcare and Rehabilitation Center. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Healthcare and Rehabilitation Center considers all highly liquid investments within maturity of three months or less when purchased to be cash equivalents.

J. Receivables

Management considers all resident receivables to be fully collectible. No allowance is considered necessary.

K. Revenues

Operating revenues result from providing services to residents at the Healthcare and Rehabilitation Center. Other revenues, such as the tax levy and ITP funds are reported as nonoperating revenues.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

At December 31, 2011, cash and investments included the following:

	12/31/11	12/31/10
Treasurer pooled cash	$ 1,257,094	$ 1,918,866
Petty cash on hand	882	1,196
Deposits with financial institutions	708,221	706,739
Local Government Investment Pool	7,945	7,478
Total cash and investments	$ 1,974,142	$ 2,634,279

Cash and investments as of December 31, 2011 are classified in the accompanying financial statements as follows:

	12/31/11	12/31/10
Exhibit A:		
Operating Cash	$ 1,257,094	$ 1,918,866
Petty Cash Fund	325	325
Restricted Cash and Investments	708,148	707,020
Exhibit D:		
Healthcare and Rehabilitation Center resident cash	8,575	8,068
Total Cash and Investments	$ 1,974,142	$ 2,634,279

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Wisconsin State Statutes

Investment of Healthcare and Rehabilitation Center funds is restricted by state statutes. Available investments are limited to:

- Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
- Bonds or securities of any county, city, drainage district, technical college district, district, town, or school district of the state.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.
- Bonds issued by a local exposition district
- Bonds issued by a local professional baseball park district
- Bonds issued by the University of Wisconsin Hospital and Clinics Authority
- Bonds issued by a local football stadium district
- Bonds issued by a local arts district
- Bonds issued by the Wisconsin Aerospace Authority

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Healthcare and Rehabilitation Center does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Healthcare and Rehabilitation Center's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Healthcare and Rehabilitation Center's investments by maturity:

	Remaining Maturity (in Months)		
Investment Type	Amount	12 Months or Less	13 to 24 Months
Local Government Investment Pool	$ 7,945	$ 7,945	$
Certificates of Deposit	675,000	675,000	
Totals	$ 682,945	$ 682,945	$

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Healthcare and Rehabilitation Center has no investment policy that would further limit its investment choices. At December 31, 2011 and 2010, the Healthcare and Rehabilitation Center's investment in the Wisconsin Local Government Investment Pool was not rated.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Healthcare and Rehabilitation Center would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the Healthcare and Rehabilitation Center would not be able to recover the value of its investment of collateral securities that are in possession of another party. The Healthcare and Rehabilitation Center does not have an investment policy for custodial credit risk.

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for interest bearing accounts and $250,000 for non interest bearing accounts. In addition, the banks used by the Center participate in the Dodd-Frank Act. Under this program, the FDIC provides unlimited protection to all noninterest-bearing accounts through December 31, 2012. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of $400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. Additionally, deposits in each local and area credit union are insured by the National Credit Union Association (NCUA) in the amount of $250,000 for interest bearing accounts and $250,000 for non interest bearing accounts.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2011, the fair value of the Healthcare and Rehabilitation Center's share of the LGIP's assets was substantially equal to the amount reported above. Information on derivatives was not available to the Healthcare and Rehabilitation Center.

SWIB may invest in obligations of the U.S. Treasury and it agencies, Commercial Paper, Bank Time Deposits/Certificates of Deposit, Bankers' Acceptances, Asset Backed Securities and Repurchase Agreements secured by the U.S. Government or its agencies and other instruments authorized under State Investment Fund Investment guidelines.

Investment allocation in the local government investment pool as of December 31, 2011 was: 84% in U.S. Government Securities, 15% in commercial paper and corporate notes and 1% in Bankers' Acceptances. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

The Treasurer pooled cash in the Healthcare and Rehabilitation Center's portion of Iowa County's pooled cash accounts. Federal depository insurance and the State of Wisconsin Guarantee Fund Insurance apply to all municipal accounts, and accordingly, the amount of insured funds is not determinable for the Healthcare and Rehabilitation Center alone.

Concentration of Credit Risk

The Healthcare and Rehabilitation Center places no limit on the amount the Healthcare and Rehabilitation Center may invest in any one issuer.

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment and the related accumulated depreciation at December 31, 2011 and 2010 are summarized as follows:

Property, Plant and Equipment

	Balance 1/1/10	Additions	Retirements	Balance 12/31/10	Additions	Retirement	Balance 12/31/11
Land	$ 13,639	$	$	$ 13,639	$	$	$ 13,639
Land Improvements	264,944	3,739		268,683			268,683
Buildings	2,329,778	69,594	(5,229)	2,394,143			2,394,143
Chapel Building	407,002	17,612		424,614			424,614
Fixed Equipment	1,169,778	239,617	(74,385)	1,335,010	22,016	(3,730)	1,353,296
Major Movable	687,677	48,668	(2,539)	733,806	39,680	(36,145)	737,341
Totals	$ 4,872,818	$ 379,230	$ (82,153)	$ 5,169,895	$ 61,696	$ (39,875)	$ 5,191,716

Accumulated Depreciation

	Balance 1/1/10	Depreciation	Retirements	Balance 12/31/10	Depreciation	Retirements	Balance 12/31/11
Land Improvements	$ 191,305	$ 21,805	$	$ 213,110	$ 13,090	$	$ 226,200
Buildings	1,546,436	83,671	(4,176)	1,625,931	77,503		1,703,434
Chapel Building	141,790	18,605		160,395	19,845		180,240
Fixed Equipment	788,658	56,298	(68,410)	776,546	54,449	(3,729)	827,266
Major Movable	523,235	36,116	(2,539)	556,812	37,008	(34,343)	559,477
Totals	$ 3,191,424	$ 216,495	$ (75,125)	$ 3,332,794	$ 201,895	$ (38,072)	$3,496,617

NOTE 4 RESIDENT ACCOUNTS RECEIVABLE

Accounts receivable at December 31 consisted of the following amounts:

	2011	2010
Private	$ 123,864	$ 116,771
Medical Assistance	309,158	275,743
Medicare	393,396	327,770
Veterans Affairs	102	31,054
Insurance	62,675	121,717
Family Care	8,778	38,009
Other	6,728	6,728
Total	$ 904,701	$ 955,011

Amounts due for Medical Assistance and Medicare residents are subject to review and approval by state and federal regulators. Amounts due from Medicare may not be received for up to two years. Management believes that all accounts receivable will eventually be collected.

Medicare is billed at actual rates established by the Federal Government. Any adjustments or write off's are recorded using the direct write-off method.

NOTE 5 DEFINED BENEFIT PENSION PLAN

All eligible Bloomfield Healthcare and Rehabilitation Center employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees hired previous to July 1, 2011 are required to work at least 600 hours a year (440 hours for teachers) are eligible to participate in the WRS. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Employees hired after July 1, 2011 are required to work at least 1200 hours for non-teachers and non-school District educational support personnel or 880 hours for teachers and School district educational support personnel and the employee is expected to be employed for at least one year (365 consecutive days, 366 in leap year) from employees date of hire. Once the employer sets the expectation that the employee will work the applicable required hours or more, the employee is enrolled in the WRS and is not required to work the minimum amount of hours ever year to remain eligible.

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The payroll for Bloomfield Healthcare and Rehabilitation Center employees covered by the WRS for the year ended December 31, 2011 was \$2,612,129; the employer's total payroll was \$2,802,534. The total required contribution for the year ended December 31, 2011 was \$303,007, which consisted of \$251,437 or 9.6% of the covered payroll from the employer and \$51,570 or 2.0% of payroll from employees. Bloomfield Healthcare and Rehabilitation Center pays the required employee portion for employees covered under existing employee contracts in place prior to June 29, 2011. Total contributions for the years ended December 31, 2010 and 2009 were \$280,659 and \$249,479, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefits are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's 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 on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility 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, Post Office Box 7931, Madison, Wisconsin 53707-7931.

NOTE 6 COMPENSATED ABSENCES

Under terms of employment, employees are granted sick leave and vacation in varying amounts. Only benefits considered to be vested are disclosed in these statements. Accumulated sick leave vests to employees upon retirement. Payments for sick leave will be made at rates in effect when the benefits are used. Vested sick leave at December 31, 2011 and 2010 were determined on the basis of current salary rates. The minimum estimated value of the sick leave liability to be paid as severance pay upon retirement, as of December 31, 2011 and 2010 was \$321,425 and \$342,543 respectively. The number of employees currently eligible to participate was 3 and 2 for 2011 and 2010, respectively. Amounts paid out during 2011 and 2010 to cover health insurance premiums were \$6,553 and \$0, respectively.

Vacation pay at year-end is not material to these financial statements.

NOTE 7 COUNTY APPROPRIATION

The county appropriation for 2011 and 2010 consists of the following amounts:

	2011	2010
County Payments for Debt Payments		\$ 92,529

NOTE 8 CHANGES IN LONG-TERM DEBT

The 2011 and 2010 changes in long-term debt payable of the Healthcare and Rehabilitation Center are summarized as follows:

	Balance 1/1/10	Increases	Decreases	Balance 12/31/10	Increases	Decreases	Balance 12/31/11
General Obligation Notes	$ 582,143	$	$ (109,686)	$ 472,457	$	$ (438,200)	$ 34,257
Compensated Absences	325,699	16,844		342,543		(21,118)	321,425
Total Long-term Debt	$ 907,842	$ 16,844	$ (109,686)	$ 815,000	$	$ (459,318)	$ 355,682

Iowa County, Wisconsin, obtained a 20-year loan from the State of Wisconsin to finance wastewater treatment plant improvements at Bloomfield Healthcare and Rehabilitation Center. The total amount authorized was $485,993 and the amount outstanding at December 31, 2011 and 2010 was $34,257 and $67,261, respectively. The principal and interest payments on the loan will be made from appropriations by the County. The debt is secured by the general taxing authority of Iowa County, Wisconsin. The debt is reported on the balance sheet as follows:

General obligation sewerage system note issued 6/10/92, due 5/1/2012 (rate of interest 3.795%)	$ 34,257
Less: Current Portion	(34,257)
Long-term Portion	$

The current debt cash flow requirements for retirement of general obligation note principal and interest are as follows:

Year	Principal	Interest	Total
2012	$ 34,257	$ 650	$ 34,907

NOTE 9 ECONOMIC DEPENDENCY

The Healthcare and Rehabilitation Center receives reimbursement of its costs for the care of certain patients from different agencies of the federal government. During 2011 and 2010, respectively, these reimbursements amounted to $3,758,039 and $3,933,978 or 70% and 74% of total operating revenue.

NOTE 10 NET ASSETS - RESTRICTED

Net assets are restricted for the following purpose:

	2011	2010
Bob Campbell bequest for client entertainment	$ 708,148	$ 707,020

NOTE 11 PATIENT CARE REVENUES

The major portion of the Healthcare and Rehabilitation Center's revenues for patient care is funded pursuant to federal and state medical assistance programs. The continuation of these revenues is dependent upon governmental policies. Revenues received under these programs are based upon cost reimbursement principles, which are subject to audits. It is not known what effect, if any, audit adjustments may have on the recorded revenue and receivables arising from services rendered under the Medicaid program.

NOTE 12 NET ASSETS

GASB 34 requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The following calculation supports Bloomfield Healthcare and Rehabilitation Center's net assets invested in capital assets, net of related debt:

	2011	2010
Plant in service	$ 5,191,716	$ 5,169,895
Accumulated depreciation	(3,496,617)	(3,332,794)
Subtotal	1,695,099	1,837,101
Less: capital related debt		
Current portion of capital related long term debt	34,257	112,556
Long-term portion of capital related long term debt		359,901
Subtotal	34,257	472,457
Total net assets invested in capital assets, net of related debt	$ 1,660,842	$ 1,364,644

BLOOMFIELD HEALTHCARE AND REHABILITATION CENTER
PER CAPITA COST
FOR THE YEAR ENDED DECEMBER 31, 2011

Per Capita Cost

The daily average per capita cost of maintaining residents at Bloomfield Healthcare and Rehabilitation Center for the period January 1, 2011 to December 31, 2011 is computed below:

Expenses (Exhibit B)	$ 5,766,791
Other (Income) Expenses	
Other Operating Revenue	(232,471)
Interest Expense	4,630
Net Other (Income) Expenses	(227,841)
Net Cost of Maintaining Residents	$ 5,538,950
Resident Days	25,874
Per Capita Cost Per Day	$ 214.07

SUPPLEMENTAL INFORMATION

BLOOMFIELD HEALTHCARE AND REHABILITATION CENTER
DAILY RATES
FOR THE YEAR ENDED DECEMBER 31, 2011

Amounts charged for daily care during 2011 are given below:

	Residential	Personal	Intermediate	Skilled	ISN	DD-1A	DD-1B	DD2	DD3
Private:									
01/1/11-06/30/11		178.00	199.00	208.00	215.00				
07/1/11-12/31/11		178.00	199.00	208.00	215.00				
Medical Assistance:									
01/1/11-3/31/11	150.02	150.02	150.02	150.02	150.02	237.29	237.29	199.38	160.58
04/1/11-06/30/11	152.39	152.39	152.39	152.39	152.39	237.29	237.29	199.38	160.58
07/1/11-09/30/11	146.09	146.09	146.09	146.09	146.09	244.62	244.62	204.72	163.90
10/1/11-12/31/11	142.67	142.67	142.67	142.67	142.67	244.62	244.62	204.72	163.90
VA:									
01/1/11-12/31/11				176.87					
Medicare:									
01/1/11-08/31/11				208.00					
09/1/11-12/31/11				208.00					

The amount actually reimbursed by Medicare varied depending on various categories which patients were placed.

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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*

The County Board of Supervisors
Iowa County
Dodgeville, Wisconsin

We have audited the accompanying financial statements of Bloomfield Healthcare and Rehabilitation Center Nursing Home (an enterprise fund) of Iowa County, Wisconsin as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated October 6, 2012. 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 Bloomfield Healthcare and Rehabilitation Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bloomfield Healthcare and Rehabilitation Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bloomfield Healthcare and Rehabilitation Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 questioned costs as item #11-2 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item #11-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bloomfield Healthcare and Rehabilitation Center'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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Bloomfield Healthcare and Rehabilitation Center committee, management, others within the organization, County Board, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

JOHNSON BLOCK AND COMPANY, INC.

Johnson Block and Company, Inc.

October 6, 2012

Bloomfield Healthcare and Rehabilitation Center
Schedule of Findings
For the Year Ended December, 31, 2011

A. Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued?	Unqualified
2. Internal control over financial reporting:	
a. Material weakness(es) identified?	Yes
b. Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
3. Noncompliance material to the financial statements noted?	No

B. Financial Statement Findings

Finding #11-1

Criteria: Internal controls over preparation of the financial statements, including footnote disclosures, should be in place to provide reasonable assurance that a misstatement in the financial statements would be prevented or detected.

Condition: The Center's staff does not prepare the financial statements and accompanying notes. The Center has designated an individual responsible for reviewing and accepting the financial statements and accompanying notes.

Cause: The Center relies on the auditor to prepare the financial statements and related notes.

Effect: Because management relies on the auditor to assist with the preparation of the financial statements, the Center's system of internal control may not prevent, detect, or correct misstatements in the financial statements.

Recommendation: The preparation of the financial statements with accompanying notes would require more training for Center staff. The Center does use external auditors to prepare the financial statements with notes and has designated a competent individual to review and accept these.

Response: The auditors prepare the financial statements but we review and accept the statements prior to them being issued. We prepare financial reports that are reviewed by management and the Bloomfield Healthcare and Rehabilitation Center Committee on a monthly basis. Any concerns or questions are addressed throughout the year.

Bloomfield Healthcare and Rehabilitation Center
Schedule of Findings
For the Year Ended December, 31, 2011

Finding #11-2

Criteria: Patient billings should be prepared on a monthly basis to improve cash flow and to improve accuracy of monthly financial statements.

Condition: Medicare billings were not prepared on a regular basis in 2011.

Cause: A Medicare software update was performed in October 2011 and October, November and December billings were not submitted until January 2012.

Effect: Medicare receivable balances increased and cash flow was reduced.

Recommendation: Procedures be implemented to assure that Medicare billings are completed on a monthly basis. We also recommend preparing monthly financial statements for the Committee's review.

Response: A consultant was hired in December 2011 to help with the software update and submit Medicare billings. Medicare billing personnel will prioritize billings. We will monitor billings more closely.

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County Board of Supervisors
Iowa County

We have audited the financial statements of Bloomfield Healthcare and Rehabilitation Center for the year ended December 31, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information to you in our engagement letter. We have communicated such information to you in our engagement letter. Professional standards require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Bloomfield Healthcare and Rehabilitation Center are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Healthcare and Rehabilitation Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We are not aware of any particular sensitive accounting estimates utilized by management.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

The following misstatements detected as a result of our audit procedures were corrected by management:

- Record transfer to the County
- Record cash activity
- Record additional receivables
- Reflect earned income

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 6, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Healthcare and Rehabilitation Center's financial statement or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Healthcare and Rehabilitation Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Bloomfield Healthcare and Rehabilitation Center committee, County Board and management of Bloomfield Healthcare and Rehabilitation Center and is not intended to be and should not be used by anyone other than these specified parties.

JOHNSON BLOCK AND COMPANY, INC.

Johnson Block and Company, Inc.

October 6, 2012