BLOOMFIELD HEALTHCARE AND REHABILITATION CENTER

FINANCIAL STATEMENTS

INCLUDING INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2013 AND 2012

Johnson Block & Company, Inc.
Certified Public Accountants
2500 Business Park Road
Mineral Point, Wisconsin 53565
(608) 987-2206
Fax: (608) 987-3391

BLOOMFIELD HEALTHCARE AND REHABILITATION CENTER

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

The County Board of Supervisors
Iowa County
Dodgeville, Wisconsin

Report on the Financial Statements

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Bloomfield Healthcare and Rehabilitation Center's basic financial statements as listed in table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bloomfield Healthcare and Rehabilitation Center of Iowa County, Wisconsin, as of December 31, 2013 and 2012, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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, 2013 and 2012, 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.

Other Matters

Other Information

The schedules of per capita costs and daily rates have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express and opinion or any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2014, 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 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* in considering Bloomfield Healthcare and Rehabilitation Center of Iowa County, Wisconsin's internal control over financial reporting and compliance.

Johnson Block and Company, Inc.

Johnson Block and Company, Inc.

July 23, 2014
Mineral Point, Wisconsin

BASIC FINANCIAL STATEMENTS

Exhibit A
Bloomfield Healthcare and Rehabilitation Center
Statement of Net Position
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Operating cash	$ 750,422	$ 1,231,283
Petty cash fund	325	325
Receivables:		
Accrued interest	648	648
Accounts	767,889	940,024
Due from other governments	3,095	
Materials and supplies	42,130	38,771
Total current assets	1,564,509	2,211,051
Restricted assets:		
Cash and investments	693,369	704,175
Total restricted assets	693,369	704,175
Capital assets:		
Capital assets	5,503,765	5,288,014
Less: accumulated depreciation	(3,803,847)	(3,668,622)
Total net capital assets	1,699,918	1,619,392
Total assets	$ 3,957,796	$ 4,534,618

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

Exhibit A (Continued)
Bloomfield Healthcare and Rehabilitation Center
Statement of Net Position
December 31, 2013 and 2012

	2013	2012
LIABILITIES		
Current liabilities:		
Payable from current assets:		
Accounts payable	$ 145,008	$ 102,294
Due to other governments	59,448	28,970
Current portion of compensated absences	42,504	21,567
Accrued salaries	145,732	149,487
Total payable from current assets	392,692	302,318
Long term liabilities:		
Compensated absences	426,256	333,860
Less: current portion	(42,504)	(21,567)
Total long term liabilities	383,752	312,293
Total liabilities	776,444	614,611
NET POSITION		
Net investment in capital assets	1,699,918	1,619,392
Restricted	693,369	704,175
Unrestricted	788,065	1,596,440
Total net position	3,181,352	3,920,007
Total liabilities and net position	$ 3,957,796	$ 4,534,618

Exhibit B

Bloomfield Healthcare and Rehabilitation Center

Statement of Activities

For the Years Ended December 31, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Daily service		
Resident revenue:		
Private	$ 1,251,833	$ 966,469
Medical assistance	2,032,220	2,210,137
Medicare	1,393,164	1,384,167
Veterans	35,427	33,907
Total daily service	4,712,644	4,594,680
Other operating revenue	313,045	281,612
Total operating revenues	5,025,689	4,876,292
OPERATING EXPENSES		
Daily resident service	3,292,823	3,019,687
Special service	864,057	686,222
General service	1,105,546	1,067,055
Administration	560,634	373,311
Unassigned	491,745	556,534
Total operating expenses	6,314,805	5,702,809
Net operating loss	(1,289,116)	(826,517)
NONOPERATING REVENUES (EXPENSES)		
Supplemental payment program revenue	520,400	593,830
Property tax levy	21,777	
Interest expense		(433)
Loss on disposal of equipment	(2,243)	(125)
Other nonoperating revenues	10,527	9,199
Total nonoperating revenues (expenses)	550,461	602,471
Income before contributions and transfers	(738,655)	(224,046)
Transfer (to) other county funds		(60,710)
Change in net position	(738,655)	(284,756)
Net position - beginning	3,920,007	4,204,763
Net position - ending	$ 3,181,352	$ 3,920,007

Exhibit C

Bloomfield Healthcare and Rehabilitation Center

Statement of Cash Flows

For the Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES		
Receipts from customers	$ 5,194,729	$ 4,839,066
Payments to employees	(2,853,059)	(2,725,777)
Payment for employee benefits	(1,104,122)	(1,177,047)
Payments to suppliers and contractors	(2,018,463)	(1,613,572)
Net cash (used by) operating activities	(780,915)	(677,330)
CASH FLOWS FROM (USED BY) NONCAPITAL FINANCING ACTIVITIES		
Transfer to other county funds		(60,710)
Property tax levy	21,777	
Supplemental payment program receipts	520,400	850,330
Net cash provided from noncapital financing activities	542,177	789,620
CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital acquisitions	(264,195)	(116,241)
Proceeds from the sale of capital assets	739	(125)
Principal paid		(34,257)
Interest paid		(650)
Net cash (used by) capital and related financing activities	(263,456)	(151,273)
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES		
Receipt of interest	10,527	9,199
Purchase of investments	(675,000)	(675,000)
Receipt of investments maturing	675,000	675,000
Cash provided from investing activities	10,527	9,199
Net (decrease) in cash and cash equivalents	(491,667)	(29,784)
Cash and cash equivalents - beginning of the year	1,260,783	1,290,567
Cash and cash equivalents - end of the year	$ 769,116	$ 1,260,783

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

Exhibit C (Continued)
Bloomfield Healthcare and Rehabilitation Center
Statement of Cash Flows
For the Years Ended December 31, 2013 and 2012

	2013	2012
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO BALANCE SHEET:		
Operating cash	$ 750,422	$ 1,231,283
Petty cash fund	325	325
Cash and investments (restricted)	693,369	704,175
Total	1,444,116	1,935,783
Less: long-term investments	(675,000)	(675,000)
Cash and cash equivalents	$ 769,116	$ 1,260,783
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:		
Operating loss	(1,289,116)	(826,517)
Adjustments to reconcile:		
Depreciation	180,687	191,371
(Increase) decrease in accounts receivable	169,040	(37,226)
(Increase) decrease in materials & supplies inventory	(3,359)	4,885
Increase (decrease) in accrued salaries	(3,755)	2,576
Increase (decrease) in vested fringe benefits	92,396	12,435
Increase (decrease) in accounts payable	42,714	(14,386)
Increase (decrease) in due to other governments	30,478	(10,468)
Net cash (used by) operating activities	$ (780,915)	$ (677,330)

Exhibit D

Bloomfield Healthcare and Rehabilitation Center

Statement of Net Position

Fiduciary Funds

December 31, 2013 and 2012

	2013	2012
ASSETS		
Resident cash	$ 8,042	$ 9,530
LIABILITIES		
Funds held for others	$ 8,042	$ 9,530

NOTES TO THE FINANCIAL STATEMENTS

Bloomfield Healthcare and Rehabilitation Center
Index to Notes to Financial Statements
December 31, 2013 and 2012

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 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 2013 or 2012.

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, 2013 and 2012 was $8,042 and $9,530, 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 cannot be used for operating expenses. Balance as of December 31, 2013 and 2012 was $693,369 and $704,175 respectively.

G. Compensated Absences

Beginning January 1, 2013, Management Time Off (MTO) accrual commences on an employee's initial date of employment on a prorated basis. The maximum amount of annual MTO that an employee can accumulate is calculated from the employee's anniversary date of initial employment. MTO hours are earned based upon regular hours paid (not on overtime hours worked or compensatory time earned). On an employee's anniversary date, if the employee's accrued MTO hours exceed the maximum limit, the excess hours shall be transferred to the employee's Medical Leave Bank in the subsequent period. If the employee's Medical Leave Bank accrual balance is at the maximum level at the time the excess MTO hours are to be transferred, the excess MTO hours will be deemed forfeited because the maximum amount of leave an employee can accumulate will have been reached. MTO hours transferred to an employee's Medical Leave Bank pursuant to this section shall not be returned to the employee's MTO account. The employee Medical Leave Bank has been established to provide additional medical leave to employees that have reached the maximum MTO accrual permitted instead of simply restricting MTO accrual, and is solely to be used during an employee's employment for the purposes specified. Therefore, at the time of an employee's termination or retirement, the employee shall not be entitled to remuneration for unused time from the Medical Leave Bank. The maximum annual hours that can be accrued varies based on years of service with a maximum of 312 hours for those employees with 21 or more years of service.

Sick leave earned prior to adoption of the new MTO plan is still eligible to be paid out at retirement.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior to January 1, 2013, 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.

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

Resident receivables are stated net of the allowance for bad debts of $15,734 for 2013 and $0 for 2012.

K. Revenues

Operating revenues result from providing services to residents at the Healthcare and Rehabilitation Center. Other revenues, such as the tax levy and supplemental payment program 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, 2013, cash and investments included the following:

	12/31/13	12/31/12
Treasurer pooled cash	$ 750,937	$ 1,231,283
Petty cash on hand	325	325
Deposits with financial institutions	691,941	707,709
Local Government Investment Pool	8,955	5,996
Total cash and investments	$ 1,452,158	$ 1,945,313

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of December 31, 2013 are classified in the accompanying financial statements as follows:

	12/31/13	12/31/12
Exhibit A.		
Operating Cash	$ 750,422	$ 1,231,283
Petty Cash Fund	325	325
Restricted Cash and Investments	693,369	704,175
Exhibit D.		
Healthcare and Rehabilitation Center resident cash	8,042	9,530
Total Cash and Investments	$ 1,452,158	$ 1,945,313

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.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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	$ 8,955	$ 8,955	
Certificates of Deposit	675,000	675,000	
Totals	$ 683,955	$ 683,955	

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, 2013 and 2012, 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.

FDIC Insurance

The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to $250,000. Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to $250,000. For the purpose of these rules, the term 'time and savings deposits' includes NOW accounts and money market deposit accounts but does not include interest bearing demand deposit accounts. The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal.

Collateralization of Public Unit Deposits

Depending on applicable state or federal law, public unit deposits may be secured by collateral or assets of the bank. In the event of the failure of the bank, the FDIC will honor the collateralization agreement if the agreement is valid and enforceable under applicable law. The FDIC does not guarantee, however, that the collateral will be sufficient to cover the amount of the uninsured funds. As such, although it does not increase the insurance coverage of the public unit deposits, collateralization provides an avenue of recovery in the unlikely event of the failure of an insured bank.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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, 2012, 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, 2013 was: 99% in U.S. Government Securities and 1% in Bankers' Acceptances. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

The Treasurer pooled cash is 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, 2013 and 2012 are summarized as follows:

Property, Plant and Equipment

	Balance 1/1/12	Additions	Retirements	Balance 12/31/12	Additions	Retirements	Balance 12/31/13
Land	$ 13,639	$	$	$ 13,639	$	$	$ 13,639
Land Improvements	268,683	10,603		279,286	4,564	(1,450)	282,400
Buildings	2,394,143	45,460		2,439,603	9,505	(4,093)	2,445,015
Chapel Building	424,614			424,614			424,614
Fixed Equipment	1,353,296	21,953	(6,171)	1,369,078	197,677	(38,816)	1,527,939
Major Movable	737,341	21,786	(13,772)	745,355	79,787	(14,984)	810,158
Construction Work in Progress		16,439		16,439		(16,439)	
Totals	$ 5,191,716	$ 116,241	$ (19,943)	$ 5,288,014	$ 291,533	$ (75,782)	$ 5,503,765

Accumulated Depreciation

	Balance 1/1/12	Depreciation	Retirements	Balance 12/31/12	Depreciation	Retirements	Balance 12/31/13
Land Improvements	$ 226,200	$ 11,364	$	$ 237,564	$ 8,671	$ (725)	$ 245,510
Buildings	1,703,434	69,214		1,772,648	55,926	(3,496)	1,825,078
Chapel Building	180,240	19,717		199,957	19,625		219,582
Fixed Equipment	827,266	54,244	(5,745)	875,765	55,355	(36,432)	894,688
Major Movable	559,477	36,832	(13,621)	582,688	41,110	(4,809)	618,989
Totals	$ 3,496,617	$ 191,371	$ (19,366)	$ 3,668,622	$ 180,687	$ (45,462)	$ 3,803,847

NOTE 4 RESIDENT ACCOUNTS RECEIVABLE

Accounts receivable at December 31 consisted of the following amounts:

	2013	2012
Private	$ 188,479	$ 41,459
Medical Assistance	185,592	287,380
Medicare	189,782	462,330
Veterans Affair	338	12,212
Insurance	168,728	122,718
Family Care	50,704	9,101
Other		4,824
Allowance for Doubtful Accounts	(15,734)	
Total	$ 767,889	$ 940,024

NOTE 4 RESIDENT ACCOUNTS RECEIVABLE (CONTINUED)

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 employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executive and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2013 are:

	Employee	Employer
General (including Teachers)	6.65%	6.65%
Executive & Elected Officials	7.0%	7.0%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The payroll for Bloomfield Healthcare and Rehabilitation Center employees covered by the WRS for the year ended December 31, 2013 was $2,667;899 the employer's total payroll was $2,849,304. The total required contribution for the year ended December 31, 2013 was $354,830, which consisted of $177,415 or 6.65% of the covered payroll from the employer and $177,415 or 6.65% of the covered payroll from the employee. Total contributions for the years ending December 31, 2012 and 2011 were $299,752 and $303,007 respectively, equal to the required contributions for each year.

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 benefit are (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment and submitting application 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 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

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

NOTE 6 COMPENSATED ABSENCES

Bloomfield Healthcare and Rehabilitation Center's compensated absences benefits are explained in Note 1.G. Compensated Absences at December 31, 2013 and 2012 were determined on the basis of current salary rates. The number of retirees currently eligible to participate was 0 and 4 for 2013 and 2012, respectively. Amounts paid out during 2013 and 2012 to cover health insurance premiums were $42,504 and $3,176, respectively.

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

The 2013 and 2012 changes in compensated absences for the Healthcare and Rehabilitation Center are summarized as follows:

	Balance 1/1/12	Increases	Decreases	Balance 12/31/12	Increases	Decreases	Balance 12/31/13
Compensated Absences	321,425	15,611	(3,176)	333,860	134,900	(42,504)	426,256

NOTE 7 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 2013 and 2012, respectively, these reimbursements amounted to $3,661,389 and $3,691,814 or 73% and 76% of total operating revenue.

NOTE 8 NET POSITION - RESTRICTED

Net position is restricted for the following purpose:

	2013	2012
Bob Campbell bequest for client entertainment	$ 693,369	$ 704,175

NOTE 9 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 10 NET POSITION

GASB Statement No. 63 requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position 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 net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net position 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 Position – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The following calculation supports Bloomfield Healthcare and Rehabilitation Center's net position net investment in capital assets:

	2013	2012
Plant in service	$ 5,503,765	$ 5,288,014
Accumulated depreciation	(3,803,847)	(3,668,622)
Total net position net investment in capital assets	$ 1,699,918	$ 1,619,392

SUPPLEMENTAL INFORMATION

Per Capita Cost

The daily average per capita cost of maintaining residents at Bloomfield Healthcare and Rehabilitation Center for the period January 1, 2013 to December 31, 2013 is computed below:

Expenses (Exhibit B)	$ 6,314,805
Other (Income) Expenses	
Other Operating Revenue	(313,045)
Net Cost of Maintaining Residents	$ 6,001,760
Resident Days	22,340
Per Capita Cost Per Day	$ 268.66

BLOOMFIELD HEALTHCARE AND REHABILITATION CENTER
DAILY RATES
FOR THE YEAR ENDED DECEMBER 31, 2013

Amounts charged for daily care during 2013 are given below:

	Residential	Personal	Intermediate	Skilled	ISN	DD-1A	DD-1B	DD2	DD3
Private:									
01/1/13-01/31/13		178.00	199.00	208.00	215.00				
02/1/13-12/31/13			209.00	214.00	225.00				
Medical Assistance:									
01/1/13-03/31/13	145.53	145.53	145.53	145.53	145.53	246.30	246.30	205.81	164.37
04/1/13-06/30/13	152.58	152.58	152.58	152.58	152.58	246.30	246.30	205.81	164.37
07/1/13-09/30/13	146.88	146.88	146.88	146.88	146.88	248.34	248.34	207.38	165.48
10/1/13-12/31/13	148.42	148.42	148.42	148.42	148.42	248.34	248.34	207.38	165.48
VA:									
01/1/13-09/30/13				176.87					
10/1/13-12/31/13				176.16					
Medicare:									
01/1/13-01/31/13		178.00	199.00	208.00	215.00				
02/1/13-12/31/13			209.00	218.00	225.00				

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

Johnson ▲ Block
AND COMPANY, INC.
CPAs

Certified Public Accountants

2500 Business Park Road ▲ Mineral Point, Wisconsin 53565 ▲ TEL 608-987-2206 ▲ FAX 608-987-3391

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*

Independent Auditor's Report

The County Board of Supervisors
Iowa County
Dodgeville, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bloomfield Healthcare and Rehabilitation Center (an enterprise fund) of Iowa County, Wisconsin as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise Bloomfield Healthcare and Rehabilitation Center's basic financial statements and have issued our report thereon dated July 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bloomfield Healthcare and Rehabilitation Center's internal control over financial reporting (internal control) to determine that audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bloomfield Healthcare and Rehabilitation Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bloomfield Healthcare and Rehabilitation Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 responses as item #2013-002 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 responses as item #2013-001 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*.

Bloomfield Healthcare and Rehabilitation Center's Response to Findings

Bloomfield Healthcare and Rehabilitation Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Bloomfield Healthcare and Rehabilitation Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson Block and Company, Inc.

Johnson Block and Company, Inc.

July 23, 2014
Mineral Point, Wisconsin

Bloomfield Healthcare and Rehabilitation Center
Schedule of Findings
For the Year Ended December, 31, 2013

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 #2013-001

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 Health and Human Services Committee. Any concerns or questions are addressed throughout the year.

Bloomfield Healthcare and Rehabilitation Center
Schedule of Findings
For the Year Ended December, 31, 2013

Finding #2013-002

Criteria: The Center should reconcile accounts receivable balances to its general ledger control accounts on a monthly basis.

Condition: The Center's patient accounts receivable ledger was not reconciled to general ledger control accounts throughout the year or at the time of audit fieldwork.

Cause: Activity recorded in the patient accounts receivable ledger is not always recorded in the general ledger in the same accounting period. Adjustments were provided by the Center to reflect all activity in the general ledger.

Effect: Transactions that affect the Center's patient accounts receivable ledger are not being reflected on the Center's general ledger on a timely basis. Additionally, interim financial statements could be materially misstated.

Recommendation: Patient accounts receivable reconciliations be performed on a monthly basis and reviewed for accuracy of financial reporting and completeness by someone other than the person performing the reconciliation. The reviewer should initial the reconciliation as an indication of approval when done.

Response: The Center intends on having patient accounts receivable reconciliations completed on a monthly basis for all future periods.

Johnson ▲ Block
AND COMPANY, INC.
CPAs
Certified Public Accountants
2500 Business Park Road ▲ Mineral Point, Wisconsin 53565 ▲ TEL 608-987-2206 ▲ FAX 608-987-3391

County Board of Supervisors
Iowa County

We have audited the financial statements of Bloomfield Healthcare and Rehabilitation Center for the years ended December 31, 2013 and 2012. 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 related to the planned scope and timing of our audit. 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. We noted no transactions entered into by Bloomfield 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. The most sensitive estimate affecting Bloomfield Healthcare and Rehabilitation Center's financial statements was:

> Management's estimate of the allowance for doubtful accounts is based on historical estimate. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The following misstatement detected as a result of our audit procedures was corrected by management:

- Adjust year end accounts receivable balances
- Adjust compensated absences

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 July 23, 2014.

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.

<u>Restriction on Use</u>

This information is intended solely for the use of the Health and Human Services 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.

July 23, 2014
Mineral Point, Wisconsin

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
PJE01	Potential	12/31/13				
		610-00-13900-00000-000	Allowance for Doubtful Accounts	16,724.00		
		610-54-46500-00000-000	Bad Debt Expense		16,724.00	
						16,724.00
		Adjust allowance for doubtful accounts.				
		TOTAL		16,724.00	16,724.00	16,724.00