DODGE COUNTY, MINNESOTA
FAIRVIEW CARE CENTER

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

DODGE COUNTY, MINNESOTA
FAIRVIEW CARE CENTER
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Fairview Care Center
Dodge Center, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Fairview Care Center, which comprise the statements of net position as of December 31, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors
Fairview Care Center

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fairview Care Center as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and supplemental pension liability information on pages 28 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2017 on our consideration of Fairview Care Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fairview Care Center's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
June 14, 2017

DODGE COUNTY, MINNESOTA
FAIRVIEW CARE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015

Our discussion and analysis of Fairview Care Center's (the Care Center) financial performance provides an overview of the Care Center's financial activities for the fiscal years ended December 31, 2016 and 2015. Please read it in conjunction with Fairview Care Center's financial statements.

FINANCIAL HIGHLIGHTS

- The Care Center's net position increased by $49,164 in fiscal 2015 to ($1,708,545) and increased by $72,791 in 2016 to ($1,635,754).
- The Care Center experienced an operating gain of $50,833 and $54,729 for the years ended December 31, 2015 and 2016, respectively.
- Operating revenues increased by 15.54% from $4,567,652 in fiscal 2015 to $5,277,565 in 2016. Operating expenses increased by 15.63% over the same period, from $4,516,819 to $5,222,836.

USING THIS ANNUAL REPORT

The Care Center's financial statements consist of three statements – statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Care Center.

THE STATEMENTS OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

One of the most important questions asked about the Care Center's finances is, "Is the Care Center, as a whole, better or worse off as a result of the year's activities?" The statement of net position and statement of revenues, expenses, and changes in net position report information about the Care Center's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Care Center's net position and changes in them. You can think of the Care Center's net position – the difference between assets and liabilities – as one way to measure the Care Center's financial health, or financial position. Over time, increases or decreases in the Care Center's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Care Center's occupancy and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Care Center.

THE STATEMENT OF CASH FLOWS

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balances during the reporting period?"

THE CARE CENTER'S NET POSITION

The Care Center's net position is the difference between its assets and liabilities reported on the statements of net position.

Table 1: Assets, Liabilities, and Net Position

	2016	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets	$ 626,873	$ 619,869	$ 621,365
Capital Assets, Net	689,844	568,996	608,004
Other Noncurrent Assets	210,591	102,190	113,986
Total Assets	1,527,308	1,291,055	1,343,355
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	1,338,405	315,599	-
Total Assets and Deferred Outflows of Resources	$ 2,865,713	$ 1,606,654	$ 1,343,355
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current Liabilities	$ 485,598	$ 381,073	$ 458,275
Other Liabilities	1,367	1,453	2,332
Net Pension Liability	3,200,643	2,305,464	-
Long-Term Liabilities	135,000	165,000	195,000
Total Liabilities	3,822,608	2,852,990	655,607
DEFERRED INFLOWS OF RESOURCES			
Pension Related Deferred Inflows	678,859	462,209	-
COMMITMENTS AND CONTINGENCIES			
NET POSITION			
Net Investment in Capital	524,844	373,996	383,004
Restricted by Donors	9,099	9,924	13,519
Unrestricted	(2,169,697)	(2,092,465)	291,225
Total Net Position	(1,635,754)	(1,708,545)	687,748
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 2,865,713	$ 1,606,654	$ 1,343,355

A significant component of the Care Center's assets is its Capital Assets. Other noncurrent assets consist primarily of funds designated for the repayment of long-term debt and funds restricted under resident trust agreements or by donors.

OPERATING RESULTS AND CHANGES IN THE CARE CENTER'S NET POSITION

The Care Center's net position increased by $72,791 in fiscal 2016 and increased by $49,164 in 2015. A summarized table of the changes in net position is presented below.

Table 2: Operating Results and Changes in Net Position

	2016	2015	2014
OPERATING REVENUES			
Net Resident Revenues	$ 5,273,417	$ 4,563,827	$ 4,463,815
Other Operating Revenues	4,148	3,825	2,517
Total Operating Revenues	5,277,565	4,567,652	4,466,332
OPERATING EXPENSES			
Nursing, Other Care, and Ancillary	2,618,499	2,343,225	2,191,597
Dietary, Laundry, Housekeeping, and Plant Maintenance	854,729	767,479	812,475
Property Related	161,506	160,793	160,650
General, Administrative, Payroll Taxes, and Employee Benefits	1,540,158	1,200,872	1,103,006
Depreciation	42,986	38,750	38,930
Interest	4,958	5,700	6,361
Total Operating Expenses	5,222,836	4,516,819	4,313,019
Operating Income	54,729	50,833	153,313
NONOPERATING REVENUES (LOSSES)			
Gain on Sale of Capital Assets	-	1,742	-
Contributions	17,502	(3,595)	1,500
Investment Income	560	184	257
Transfer In	-	-	175,000
Total Nonoperating Revenues (Losses)	18,062	(1,669)	176,757
EXCESS OF REVENUE OVER EXPENSES	72,791	49,164	330,070
Capital Grants and Contributions	-	-	13,124
INCREASE IN NET POSITION	72,791	49,164	343,194
Net Position - Beginning of Year	(1,708,545)	687,748	344,554
Change in Accounting Principle	-	(2,445,457)	-
Net Position - Beginning of Year, As Restated	(1,708,545)	(1,757,709)	344,554
NET POSITION - END OF YEAR	$ (1,635,754)	$ (1,708,545)	$ 687,748

Revenues at Fairview Care Center are generally determined by two factors – occupancy and acuity of residents. Occupancy is simply a matter of how many of the Care Center's available beds are occupied. Acuity is measured by an assessment process that assigns residents to categories called Resource Utilization Groups (RUG). The higher the RUG, the higher the rate reimbursed. RUG assessments are assigned a weight factor ranging from 0.53 to 3.0, with an "average" being around 1.00. The actual overall average for any nursing home is called a "RUG Score." The Care Center's RUG score was 0.99 for fiscal 2016. The Care Center's occupancy for fiscal 2015 was 95.23% and for fiscal 2016 was 96.62%. The Care Center had 19,117 resident days in fiscal 2015 and 19,449 in fiscal 2016.

OPERATING RESULTS AND CHANGES IN THE CARE CENTER'S NET ASSETS (CONTINUED)

As noted previously, the Care Center's operating expenses increased $706,017, or 15.63%, from fiscal 2015 to 2016. The increase in total expenses is due mainly to increase in routine services and employee salary and benefit costs from 2015 to 2016. Operating expenses as a percent of revenues increased approximately .08% over the same time period.

THE CARE CENTER'S CASH FLOWS

Changes in the Care Center's cash flows are generally consistent with changes in net position as discussed above.

CAPITAL ASSET ADMINISTRATION

As of December 31, 2016, the Care Center had $689,844 invested in capital assets, net of accumulated depreciation.

LONG-TERM DEBT

The table below shows the Care Center's outstanding long-term debt.

Table 3: Long-Term Debt

	2016	2015	2014
2011 General Obligation Nursing Home Bonds	$ 165,000	$ 195,000	$ 225,000

ECONOMIC FACTORS

The Care Center considered many factors when setting the 2016 budget. Of primary importance in setting the 2016 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Medicare and Medicaid reimbursement rates
- Occupancy fluctuations and aging demographics
- Privacy/Security legislation (HIPAA)
- Increased costs of various insurance programs
- Workforce shortages, including nursing shortages
- Increased costs due to competitive wages
- Cost of supplies and ancillary services
- Increased cost of utilities due to rising energy prices

CONTACTING THE CARE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide residents, families, suppliers, taxpayers and the community with a general overview of the Care Center's finances and to show the Care Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Care Center's office at Fairview Care Center, 702 10th Avenue NW, Dodge Center, Minnesota, 55927.

DODGE COUNTY, MINNESOTA
FAIRVIEW CARE CENTER
STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 45,028	$ 142,713
Accounts Receivable-Residents, Net of Allowance for Uncollectible Accounts (2016, $23,774, 2015, $3,801)	551,927	466,652
Third-Party Payer Settlements	29,918	10,504
Total Current Assets	626,873	619,869
NONCURRENT CASH AND INVESTMENTS		
Board Designated for Debt Service	84,253	90,813
Board Designated for Capital Improvements	110,000	-
Restricted by Donors	9,099	9,924
Resident Trusts Funds	7,239	1,453
Total Noncurrent Cash and Investments	210,591	102,190
CAPITAL ASSETS, NET	689,844	568,996
Total Assets	1,527,308	1,291,055
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	1,338,405	315,599
Total Assets and Deferred Outflows of Resources	$ 2,865,713	$ 1,606,654

See accompanying Notes to Financial Statements

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2016	2015
CURRENT LIABILITIES		
Accounts Payable	$ 140,454	$ 87,361
Accrued Salaries	57,906	37,077
Accrued Withholdings	4,006	-
Compensated Absences Payable	251,197	224,289
Interest Payable	2,035	2,346
Current Maturities of Long-Term Debt	30,000	30,000
Total Current Liabilities	485,598	381,073
LONG-TERM DEBT, NET OF CURRENT MATURITIES	135,000	165,000
OTHER LIABILITIES		
Residents' Trust and Tenant Security Deposits	1,367	1,453
NET PENSION LIABILITY	3,200,643	2,305,464
Total Liabilities	3,822,608	2,852,990
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	678,859	462,209
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Net Investment in Capital	524,844	373,996
Restricted by Donors	9,099	9,924
Unrestricted	(2,169,697)	(2,092,465)
Total Net Position	(1,635,754)	(1,708,545)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 2,865,713	$ 1,606,654

DODGE COUNTY, MINNESOTA
FAIRVIEW CARE CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016		2015	
	Amount	Percent of Revenue	Amount	Percent of Revenue
NET RESIDENT REVENUE, Net of Provision for Bad Debts (2016, $25,447, 2015, -$172)	$ 5,273,417	99.9 %	$ 4,563,827	99.9 %
OTHER REVENUE	4,148	0.1	3,825	0.1
Total Operating Revenues	5,277,565	100.0	4,567,652	100.0
OPERATING EXPENSES				
Nursing	2,020,767	38.3	1,713,475	37.5
Other Care	149,075	2.8	135,804	3.0
Ancillary Services	448,657	8.5	493,946	10.8
Dietary	426,880	8.1	382,395	8.4
Laundry	88,553	1.7	84,065	1.8
Housekeeping	114,130	2.2	103,621	2.3
Plant Operations and Maintenance	225,166	4.3	197,398	4.3
Property Related	161,506	3.1	160,793	3.5
General and Administrative	402,097	7.6	386,042	8.5
Depreciation	42,986	0.8	38,750	0.8
Interest and Amortization	4,958	0.1	5,700	0.1
Payroll Taxes and Employee Benefits	1,138,061	21.5	814,830	17.9
Total Operating Expenses	5,222,836	99.0	4,516,819	98.9
Operating Income	54,729	1.0	50,833	1.1
NONOPERATING REVENUES (LOSSES)				
Gain on Sale of Capital Assets	-		1,742	
Contributions	17,502		(3,595)	
Investment Income	560		184	
Total Nonoperating Revenues (Losses)	18,062		(1,669)	
INCREASE IN NET POSITION	72,791		49,164	
Net Position - Beginning of Year	(1,708,545)		(1,757,709)	
NET POSITION - END OF YEAR	$ (1,635,754)		$ (1,708,545)	

See accompanying Notes to Financial Statements

DODGE COUNTY, MINNESOTA
FAIRVIEW CARE CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Resident Services	$ 5,188,142	$ 4,494,072
Cash Paid to Suppliers and Employees	(4,981,033)	(4,542,673)
Miscellaneous Cash Received (Paid)	(15,266)	18,585
Net Cash Provided (Used) by Operating Activities	191,843	(30,016)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions	17,502	(3,595)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments on Long-Term Debt	(30,000)	(30,000)
Interest Paid	(5,269)	(5,981)
Purchase of Property and Equipment	(163,834)	-
Proceeds from Sale of Property and Equipment	-	2,000
Net Cash Used by Capital and Related Financing Activities	(199,103)	(33,981)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Noncurrent Cash and Investments	(5,047)	3,595
Interest Received	560	184
Net Cash Provided (Used) by Investing Activities	(4,487)	3,779
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,755	(63,813)
Cash and Cash Equivalents - Beginning of Year	233,526	297,339
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 239,281	$ 233,526
CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	$ 45,028	$ 142,713
Board Designated for Debt Service	84,253	90,813
Board Designated for Capital Improvements	110,000	-
Total Cash and Cash Equivalents	$ 239,281	$ 233,526

See accompanying Notes to Financial Statements

DODGE COUNTY, MINNESOTA
FAIRVIEW CARE CENTER
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income	$ 54,729	$ 50,833
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	42,986	38,750
Cash Paid for Interest	5,269	5,981
Net Change in Pension Items	89,023	6,617
(Increase) Decrease in Current Assets:		
Accounts Receivable - Residents, Net	(85,275)	(69,755)
Third Party Payer Settlements	(19,414)	14,760
Increase (Decrease) in Current Liabilities:		
Accounts Payable - Trade	53,093	(18,298)
Accrued Expenses	51,432	(58,904)
Net Cash Provided (Used) by Operating Activities	$ 191,843	$ (30,016)

See accompanying Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Fairview Care Center (the Care Center) is an enterprise fund of Dodge County, which operates a 55-bed licensed nursing facility in Dodge Center, Minnesota. The Care Center is governed by a board of directors appointed by the Dodge County Board. As an enterprise fund of the County, the Care Center records no provisions for income taxes.

Reporting Entity

For financial reporting purposes, the Care Center has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The Care Center has also considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Care Center are such that exclusion would cause the Care Center's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Care Center. The Care Center has no component units, which meet the Governmental Accounting Standards Board criteria. The Care Center is considered a part of the reporting entity of Dodge County, Minnesota, and is included in the County's financial statements as an enterprise fund.

Uses 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

The Care Center uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis, using the economic resources measurement focus. Based on GASB Codification Topic 1600, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* as amended.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

A summary of patient service revenues and contractual adjustments is as follows:

	2016	2015
Total Resident Service Revenues	$ 6,291,986	$ 5,397,709
Contractual Adjustments:		
Medicare	916,397	792,760
Other	76,725	41,294
Provision for (Recovery of) Bad Debts	25,447	(172)
Total Contractual Adjustments	1,018,569	833,882
Net Resident Revenue	$ 5,273,417	$ 4,563,827

Net Resident Revenue

Net resident revenue includes room charges and ancillary services to residents and is recorded at established billing rates net of contractual adjustments resulting from agreements with third-party payers.

Third-Party Reimbursement Agreements

Medicaid

The Care Center participates in the Medicaid program which is administered by the Minnesota Department of Human Services (DHS). Medicaid and private paying residents are classified into one of 48 Resource Utilization Groups (RUG) for purposes of establishing payment rates.

Effective January 1, 2016, nursing facilities are paid under the Value Based Nursing Facility Reimbursement System (VBR) as approved during the 2016 Minnesota State Legislative Session. Under the VBR system, care related costs will be reimbursed at actual cost subject to certain limitations. Other operating costs will be reimbursed using a pricing model, which results in the rates for these costs being the same for all nursing facilities in the state. Certain other costs, such as qualifying employer health insurance costs, will be reimbursed at an external fixed payment rate and will be cost based with no limitations.

The change to the VBR system also includes a hold harmless provision which protects nursing facilities from being paid at rates lower than those in effect December 31, 2016. Nursing facilities will also be protected from significant decreases in rates in a single year related to care related costs.

By Minnesota Statue, a nursing facility may not charge private paying residents in multiple occupancy rooms per diem rates in excess of the approved Medicaid rates for similar services.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Third-Party Reimbursement Agreements (Continued)

Medicare

By Minnesota statutes, a nursing facility which participates in the Medicaid program must also participate in the Medicare program. This program is administered by the Centers for Medicare and Medicaid Services.

The Care Center is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare eligible. The PPS is a per diem price-based system.

Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

During the years ended December 31, 2016 and 2015, the occupancy percentages and the percentages of residents covered under the Medicaid and Medicare programs were as follows:

	2016	2015
Medicaid	52.9%	46.9%
Medicare	11.2%	11.4%
Total Occupancy	96.6%	95.2%

Cash and Cash Equivalents

Cash and cash equivalents include cash in interest bearing checking accounts and savings accounts.

Accounts Receivable – Residents, Net

The Care Center provides an allowance for uncollectible accounts based on the allowance method using management’s judgment. Residents are not required to provide collateral for services rendered. Payment for services is required within 10 days of receipt of invoice or claim submitted. Accounts past due are analyzed individually for collectability, and are written off based on management’s judgment. At December 31, 2016 and 2015, the allowance for uncollectible accounts was approximately $23,800 and $3,800, respectively.

Noncurrent Cash and Investments

Noncurrent Cash and Investments include assets set aside by the board of directors for debt service, assets contributed with donor restriction for resident social activities and assets held by trust agreements with the residents.

Capital Assets

Capital Assets are recorded at cost. Depreciation is calculated by use of the straight-line method to amortize the cost of depreciable assets over their estimated useful lives. Maintenance, repairs, and minor renewals are charged to expense as incurred. Replacements and major renewals are capitalized. Donated property and equipment is recorded at its fair market value at time of donation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred Inflows of Resources

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of pension related deferred inflows.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position of the Care Center is classified in three components. *Net Investment in Capital* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted by donors* must be used for resident social activities. *Unrestricted* net position is the remaining amount that does not meet the definition of invested in capital assets net of related debt or restricted net assets.

Operating Revenues and Expenses

The Care Center's statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing housing and care services – the Care Center's principal activity. Nonexchange revenues, including interest and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide housing and care services, other than financing costs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

For the year ended December 31, 2016, the Care Center adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which is effective for financial statement periods beginning after June 15, 2015. GASB Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and the valuation techniques. As of December 31, 2016 and 2015, the Care Center had no assets measured at fair value.

Fair Value Measurements

To the extent available, the Care Center investments are recorded at fair value. GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take in to account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources.

In contrast, unobservable inputs reflect an entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Care Center has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Real Estate Taxes

The real estate of the Care Center related to the providing of health care has been exempted from ad valorem property taxes by the state of Minnesota and its political subdivision.

NOTE 2 DEPOSITS

Custodial Credit Risk – Custodial Credit Risk is the risk that in the event of bank failure, the Care Center's deposits may not be returned to it. In accordance with the applicable Minnesota Statutes, the Care Center, which is an enterprise fund of the County, maintains deposits at depository banks authorized by the County Commissioners and is a member of the Federal Reserve System.

Minnesota statutes require that all deposits be protected by insurance, surety bond or collateral. The market value of the collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds, issues of U.S. government agencies, general obligations rated "A" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank, and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

The Care Center's deposits in banks at December 31, 2016 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

Deposits are presented in the statements of net position as follows:

	2016	2015
Cash and Cash Equivalents	$ 45,028	$ 142,713
Noncurrent Cash and Investments:		
Board Designated for Debt Service	84,253	90,813
Board Designated for Capital Improvements	110,000	-
Restricted by Donors	9,099	9,924
Resident Trusts Funds	7,239	1,453
Total	$ 255,619	$ 244,903

Interest earned on the above deposits and investments for the years ended December 31, 2016 and 2015 was $560 and $184, respectively.

NOTE 3 ACCOUNTS RECEIVABLE

Fairview Care Center is located in Dodge Center, Minnesota. This facility grants credit without collateral to its residents, most of whom are local individuals and are insured under third-party payers agreements. The mix of receivables from residents and third-party payers as of December 31, 2016 and 2015 was as follows:

	2016	2015
Medicare	$ 153,950	$ 59,078
Medicaid	154,092	139,493
Residents and Other Third Party Payers	267,659	271,882
Total Accounts Receivable	575,701	470,453
Less Allowance for Doubtful Accounts	(23,774)	(3,801)
Net Accounts Receivable	$ 551,927	$ 466,652

NOTE 4 CAPITAL ASSETS

Capital asset additions, retirements and balances for the years ended December 31, 2016 and 2015 were as follows:

	Balance January 1, 2016	Additions	Sales, Retirements, and Transfers	Balance December 31, 2016
Cost:				
Land	$ 15,600	$ -	$ -	$ 15,600
Land Improvements	68,588	102,471	(35,929)	135,130
Building and Improvements	1,545,323	14,388	-	1,559,711
Equipment	552,882	46,975	(2,445)	597,412
Total	2,182,393	163,834	(38,374)	2,307,853
Accumulated Depreciation:				
Land Improvements	68,588	427	(35,929)	33,086
Building and Improvements	1,024,932	30,907	-	1,055,839
Equipment	519,877	11,652	(2,445)	529,084
Total	1,613,397	$ 42,986	$ (38,374)	1,618,009
Capital Assets, Net	$ 568,996			$ 689,844

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance January 1, 2015	Additions	Sales, Retirements, and Transfers	Balance December 31, 2015
Cost:				
Land	$ 15,600	$ -	$ -	$ 15,600
Land Improvements	68,588	-	-	68,588
Building and Improvements	1,545,323	-	-	1,545,323
Equipment	566,139	-	(13,257)	552,882
Total	2,195,650	-	(13,257)	2,182,393
Accumulated Depreciation:				
Land Improvements	68,588	-	-	68,588
Building and Improvements	996,402	28,530	-	1,024,932
Equipment	522,656	10,220	(12,999)	519,877
Total	1,587,646	$ 38,750	$ (12,999)	1,613,397
Capital Assets, Net	$ 608,004			$ 568,996

NOTE 5 LONG-TERM DEBT

A schedule of changes in the Care Center's long-term debt for 2016 and 2015 is as follows:

	Balance January 1, 2016	Additions	(Payments)	Balance December 31, 2016	Amounts Due Within One Year
2011 G.O. Nursing Home Bonds	$ 195,000	$ -	$ (30,000)	$ 165,000	$ 30,000

	Balance January 1, 2015	Additions	(Payments)	Balance December 31, 2015	Amounts Due Within One Year
2011 G.O. Nursing Home Bonds	$ 225,000	$ -	$ (30,000)	$ 195,000	$ 30,000

General Obligation Nursing Home Bonds

During the year ended December 31, 2011, the Care Center issued general obligation nursing home bonds for capital projects in the amount of $275,000 with interest ranging from 2% to 3.125%. The bonds are payable in semiannual payments of interest on February 1 and August 1 through February 2021. The Care Center is required to make annual payments of principal on February 1 through February 2021.

NOTE 5 LONG TERM DEBT (CONTINUED)

General Obligation Nursing Home Bonds (Continued)

Scheduled payments on the nursing home bonds are as follows:

Year Ending September 30:	Principal	Interest
2017	$ 30,000	$ 4,481
2018	30,000	3,656
2019	30,000	2,794
2020	35,000	1,797
2021	40,000	625
Totals	$ 165,000	$ 13,353

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

The Care Center participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

All full-time and certain part-time employees of the Home are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2016. The Care Center was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The Care Center's contributions to the GERF for the years ended December 31, 2016 and 2015 were $184,358 and $159,740, respectively. The Care Centers contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2016 and 2015, the Care Center reported a liability of $3,200,643 and $2,305,464 respectively, for its proportionate share of the GERF's net pension liability. The Care Center's net pension liability reflected a reduction due to the state of Minnesota's contribution of $6 million to the fund in 2016. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Care Center's proportion of the net pension liability was based on the Care Center's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016 and July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, Dodge County's proportionate share was .1136%, which was a decrease of .0146% from its proportion measured as of June 30, 2015. The Care Center proportionate share of the net pension liability for the years ended December 31, 2016 and 2015 was .0394% and .0445%, respectively.

NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs (Continued)

There were no benefit provision changes during the measurement period.

For the years ended December 31, 2016 and 2015, the Care Center recognized pension expense of $285,672 and $166,357, respectively, for its proportionate share of the GERF's pension expense.

At December 31, 2016 and 2015, the Care Center reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 260,005
Changes of Assumptions	626,689	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	607,496	-
Changes in Proportion and Differences Between Care Center Contributions and Proportionate Share of Contributions	-	418,854
Care Center Contributions Subsequent to the Measurement Date	104,220	-
Total	$ 1,338,405	$ 678,859

December 31, 2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 116,235
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	218,248	-
Changes in Proportion and Differences Between Care Center Contributions and Proportionate Share of Contributions	-	345,974
Care Center Contributions Subsequent to the Measurement Date	97,351	-
Total	$ 315,599	$ 462,209

NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs (Continued)

For the years ended December 31, 2016 and 2015, $104,220 and $97,351, respectively, were reported as deferred outflows of resources related to pensions resulting from Care Center contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the years ended December 31, 2017 and 2016, respectively. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,		Amount
2017	$	96,685
2018		96,685
2019		246,343
2020		115,613
Total	$	555,326

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.50% Per Year
Active Member Payroll Growth	3.25% Per Year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% for all future years.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2009, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009. Experience studies have not been prepared for the PECF, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Investments	20%	6.40%
Cash	2%	0.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.5%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liability Sensitivity

The following presents the Care Center's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Care Center's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

June 30, 2016	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Care Center's Proportionate Share of the Net Pension Liability	$ 4,545,862	$ 3,200,643	$ 2,092,549

June 30, 2015	1% Decrease (6.9%)	Discount Rate (7.9%)	1% Increase (8.9%)
Care Center's Proportionate Share of the Net Pension Liability	$ 3,625,009	$ 2,305,464	$ 1,215,723

Detailed information about the pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

The Care Center participates in a health insurance plan with the County which provides health insurance and other benefits to participating retirees. Retirees hired prior to January 1, 1986 with at least eight years of continuous service who retire on or after age 65 receive the cost of single coverage. Retirees hired on or after January 1, 1986 and before January 8, 1991 who retire on or after age 65 receive $50.00 per month towards single coverage. Under the plan the County pays a portion of the monthly contribution for certain classes of retirees.

The County has implemented Government Accounting Standards Board (GASB) issued Statement No. 45 *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*. The standard provides for the determination, disclosure, and potential recognition of other postemployment benefits, including retiree health insurance benefits described above. The potential liability has been actuarially determined for the County and reflected in the County financial statements. At this time, the County has chosen not to assess costs related to the provision of any postemployment benefits to the Care Center.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Health Care Industry

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretations, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Care Center may become subject to similar regulatory review, management believes that the outcome of such regulatory review will not have a material adverse effect on the Care Center's financial statements.

Risk Management

The Care Center is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risks of loss associated with workers' compensation are covered through Minnesota Counties Insurance Trust (MCIT) as the Care Center is a member through Dodge County. For all other risks, the Care Center has purchased commercial insurance policies. The Care Center retains risk for the deductible portions of the insurance policies. The amounts of these deductibles are considered immaterial to the financial statements.

There have been no significant reductions in insurance coverage from the previous year in any of the Care Center's policies. In addition, there have been no settlements in excess of the Care Center's insurance coverage in any of the prior three years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earning on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

(This page intentionally left blank)

DODGE COUNTY, MINNESOTA
FAIRVIEW CARE CENTER
SCHEDULE OF THE CARE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
DECEMBER 31, 2016 AND 2015

	2016	2015
Dodge County Proportion of the Net Pension Liability	0.1136%	0.1282%
Care Center's Proportionate Share of County Net Pension Liability	0.0394%	0.0445%
Care Center's Proportionate Share of the Net Pension Liability	3,200,643	2,305,464
Care Center's Covered-Employee Payroll	2,705,702	2,314,272
Care Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	118.29%	99.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.91%	78.20%

DODGE COUNTY, MINNESOTA
FAIRVIEW CARE CENTER
SCHEDULE OF THE CARE CENTER'S CONTRIBUTIONS (UNAUDITED)
DECEMBER 31, 2016 AND 2015

	2016	2015	2014	2013
Statutorily Required Contribution	$ 184,358	$ 159,740	$ 145,817	$ 151,573
Contributions in Relation to the Statutorily Required Contribution	184,358	159,740	145,817	151,573
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Care Center Covered-Employee Payroll	$ 2,705,702	$ 2,314,272	$ 2,193,731	$ 2,156,862
Contributions as a Percentage of Covered-Employee Payroll	6.81%	6.90%	6.65%	7.03%

Note: GASB 68 requires ten years of information to be presented in this table. However, until a full ten years is compiled, the Care Center will present information for those years for which information is available.

CliftonLarsonAllen LLP
CLAconnect.com

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

Board of Directors
Fairview Care Center
Dodge Center, Minnesota

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 Fairview Care Center which comprise the statement of net position as of December 31, 2016 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 14, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Fairview Care Center

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fairview Care Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
June 14, 2017

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Fairview Care Center
Dodge Center, Minnesota

We have audited 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, the financial statements of Fairview Care Center as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Fairview Care Center's basic financial statements, and have issued our report thereon dated June 14, 2017.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions,* promulgated by the State Auditor pursuant to Minn. Stat. §6.65 identifies seven categories of compliance to be tested in connection the audit of Fairview Care Center's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, nothing came to our attention that caused us to believe that Fairview Care Center failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Fairview Care Center's noncompliance with the above-referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's compliance with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
June 14, 2017

A member of Nexia International