

Polk County Home – Golden Age Manor

2007 Audit Results and Report to the Board of Directors

December 31, 2007



Trenton D. Fast, CPA
Principal
507-434-7016
tfast@larsonallen.com

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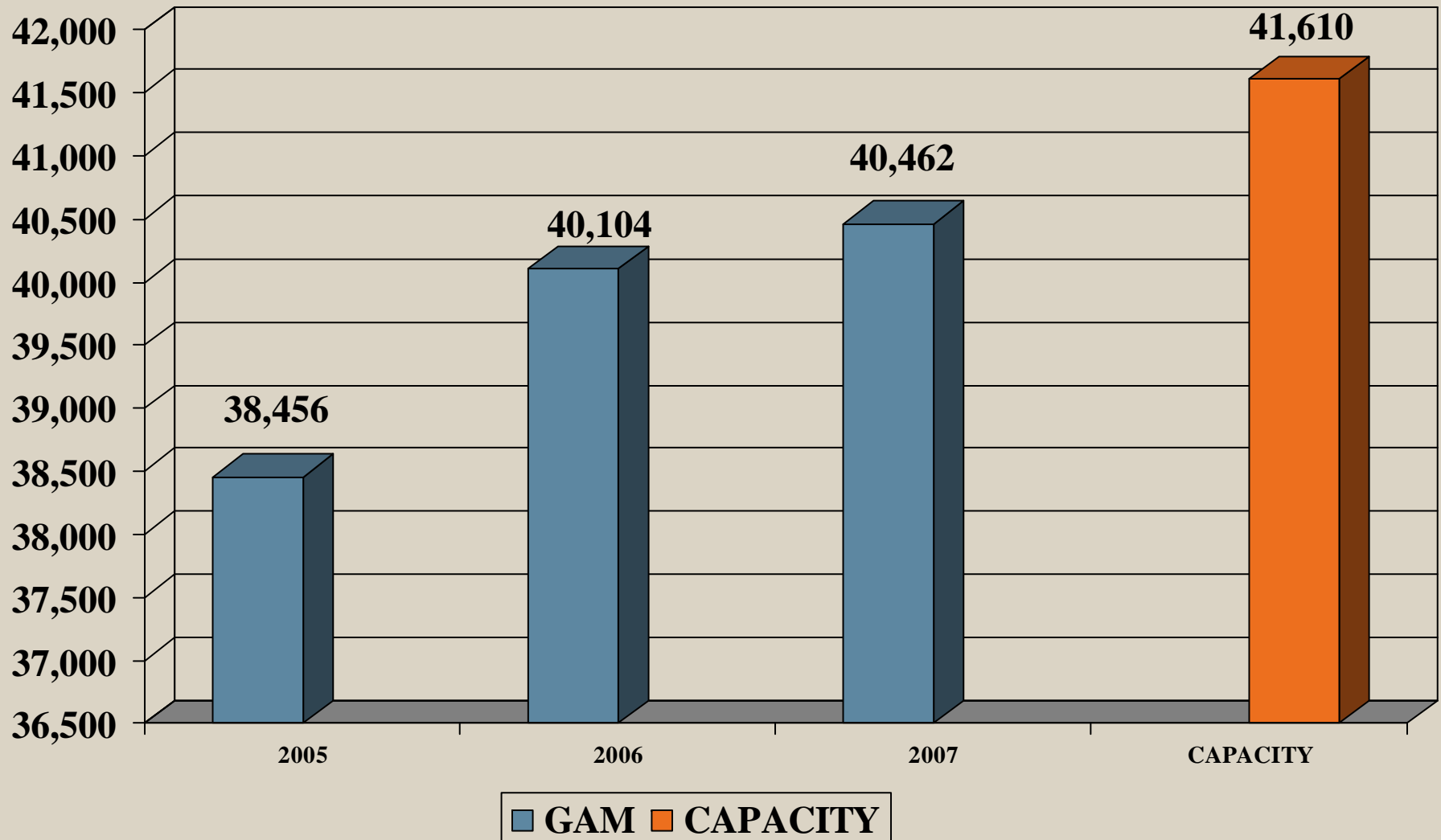
Required Communications (SAS 114)

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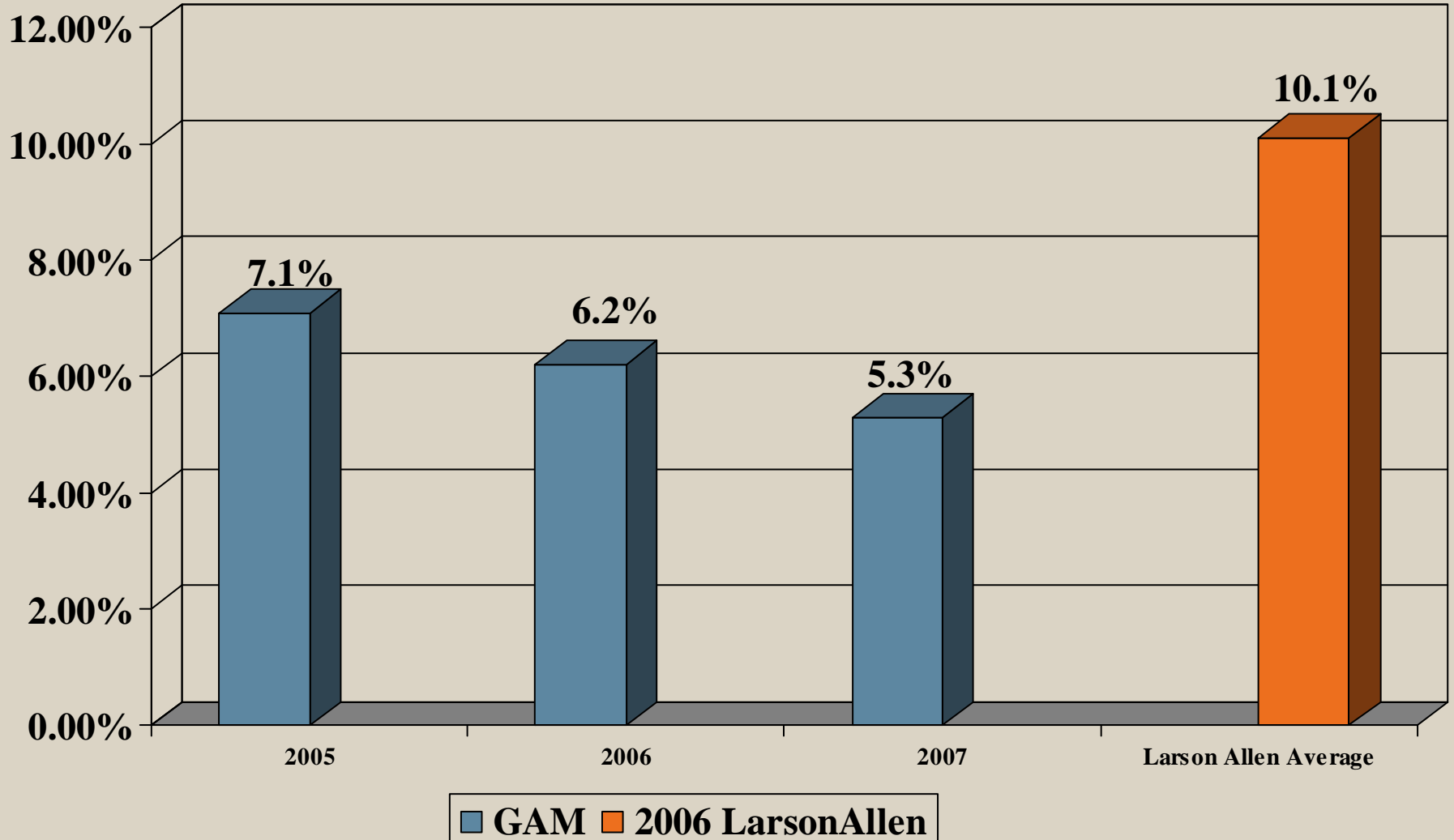
Area	Comments
Our responsibility under Generally Accepted Auditing Standards	<ul style="list-style-type: none"> • Express an opinion on the fair presentation of the financial statements in conformity with generally accepted accounting principles • Plan and perform the audit to obtain reasonable, not absolute, assurance that the financial statements are free of material misstatement • Evaluate internal controls over financial reporting • Determine the nature, timing, and extent of audit procedures based on risk assessments and our evaluation of internal controls • Utilize a risk based audit approach • Communicate significant matters to appropriate parties
Planned scope and timing of the audit	<ul style="list-style-type: none"> • Performed the audit according to the planned scope and timing previously communicated in a meeting about planning.
Other information in documents containing audited financial statements	<ul style="list-style-type: none"> • Financial statements may only be used in their entirety • Our approval is required to use our audit report in a client prepared document • We have no responsibility to perform procedures beyond those related to the financial statements. • We have no obligation to corroborate other information
Significant accounting policies	<ul style="list-style-type: none"> • Management is responsible for accounting policies • Outlined in Note 1 to the financial statements • No changes in accounting policies or new policies adopted • Appropriate accounting policies • No significant or unusual transactions occurred
Significant accounting estimates	<ul style="list-style-type: none"> • Allowance for bad debts, useful lives of assets • Determined based on management's knowledge and experience • No indicators of management bias • Estimates are reasonable • Estimate uncertainty disclosed in the financial statements
Significant disclosures	<ul style="list-style-type: none"> • No sensitive disclosures • No significant risks, exposures, or uncertainties • No unusual transactions • Disclosures are neutral, consistent, and clear
Corrected and uncorrected misstatements	<ul style="list-style-type: none"> • 12 proposed audit adjustments - both management provided and auditor proposed– decreased net income by \$259k • Record allowance for uncollectible accounts – (75k) • Retroactive rate adjustment liability (\$61k) • Reduce prepaid expense balance (\$43k) • Not advised by management of any unrecorded financial statement adjustments
Disagreements with management	<ul style="list-style-type: none"> • No disagreements with management regarding accounting, reporting, or auditing matters

Difficulties encountered in performing the audit	<ul style="list-style-type: none">• No difficulties encountered in performing the audit
Management representation	<ul style="list-style-type: none">• Management provided a management representation letter dated April 18, 2008
Consultations with other independent accountants	<ul style="list-style-type: none">• No consultations with other independent accountants
Issues discussed prior to retention as independent auditors	<ul style="list-style-type: none">• No issues discussed prior to retention as independent auditors
Other findings or issues	<ul style="list-style-type: none">• No other findings or issues were discussed with, or communicated to, management

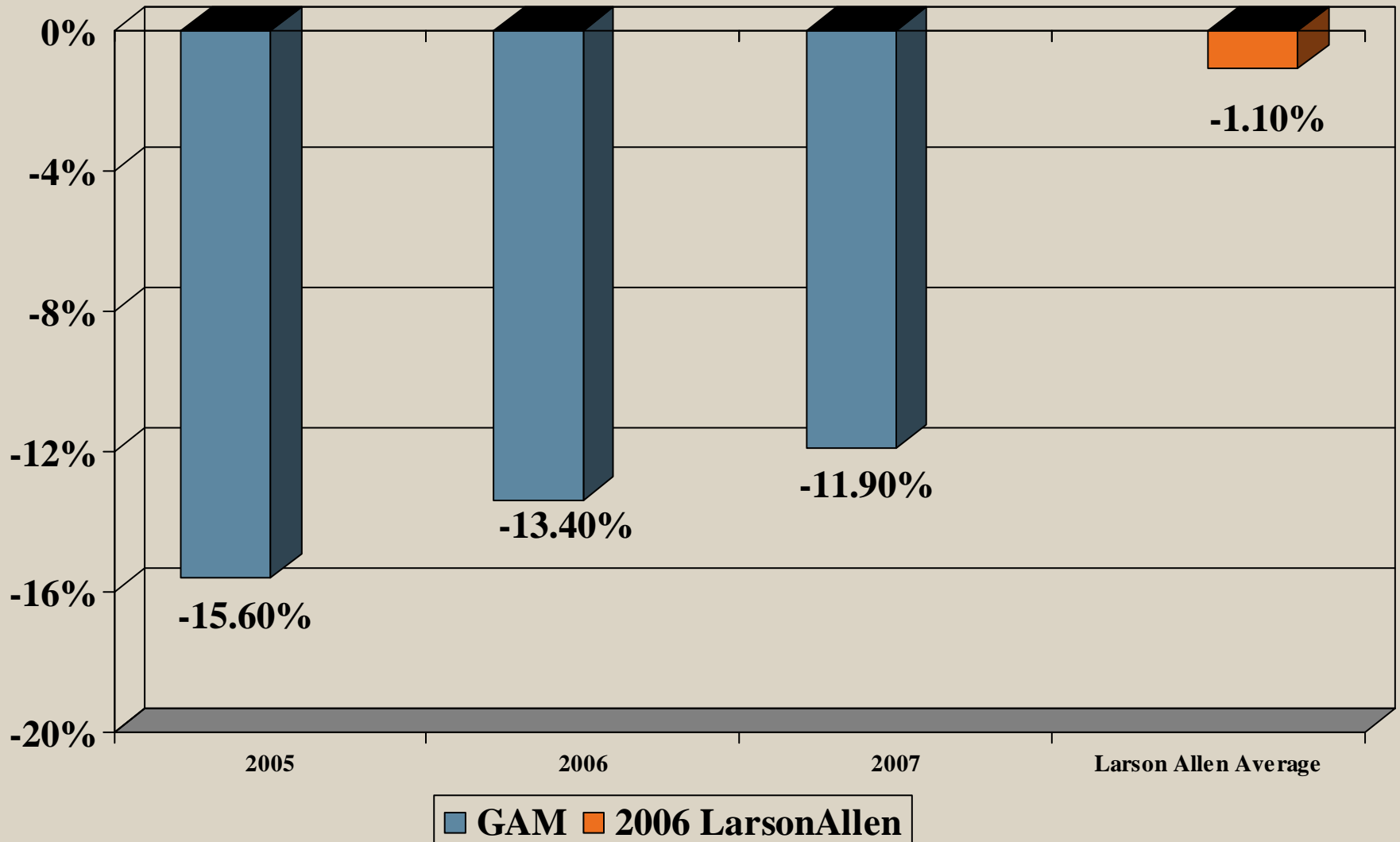
Resident Days



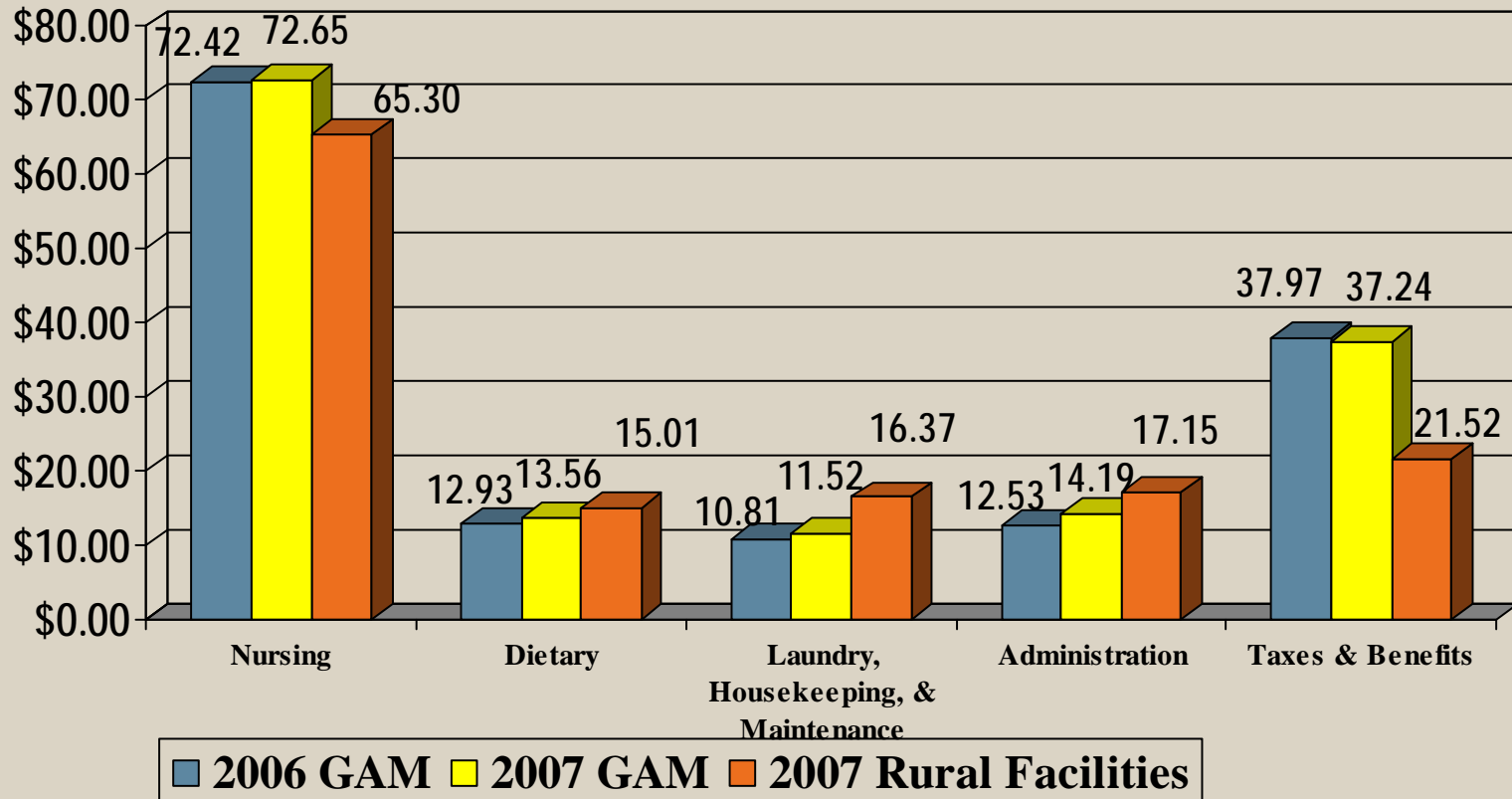
Medicare Occupancy



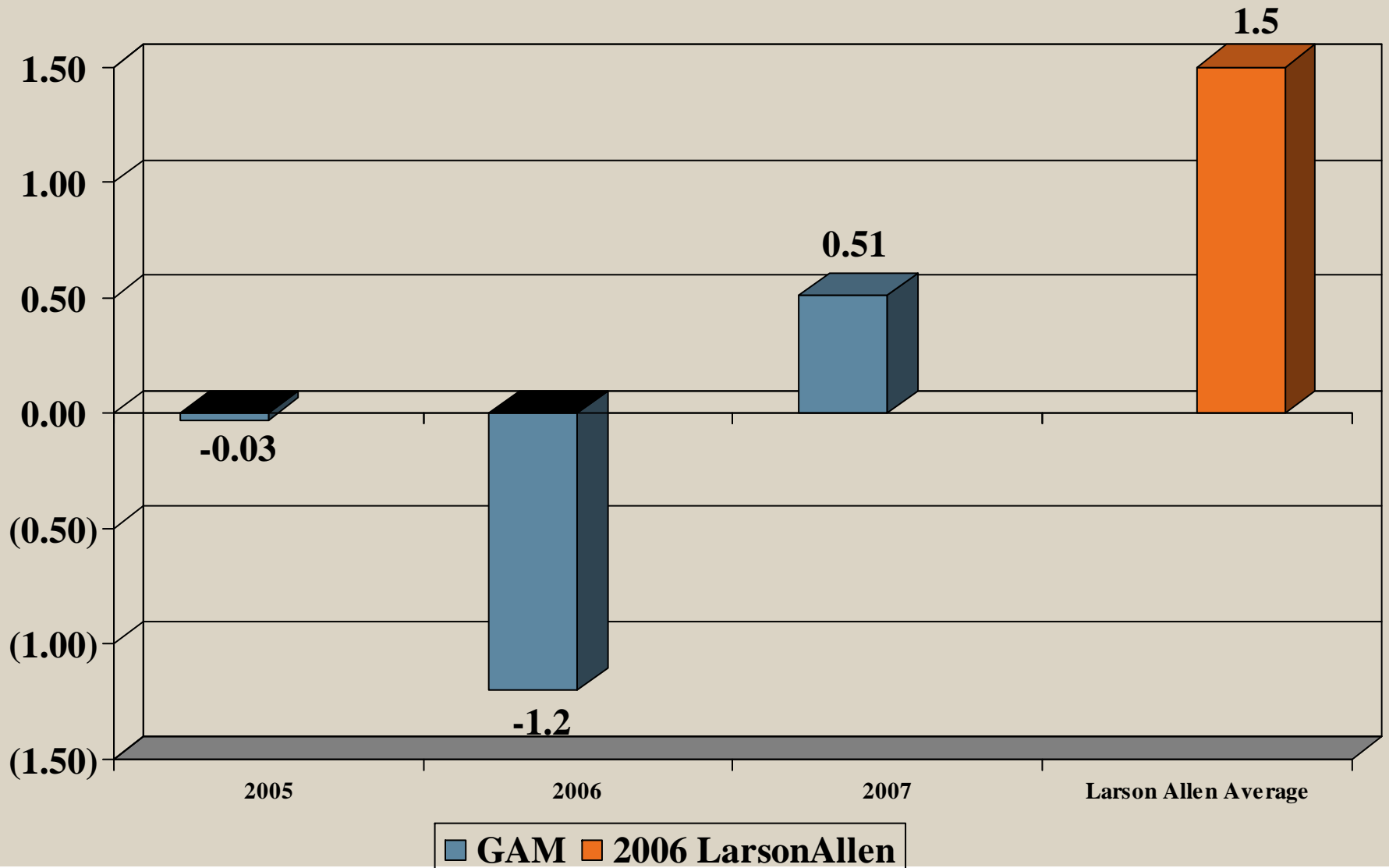
Operating Margin



Cost Per Day



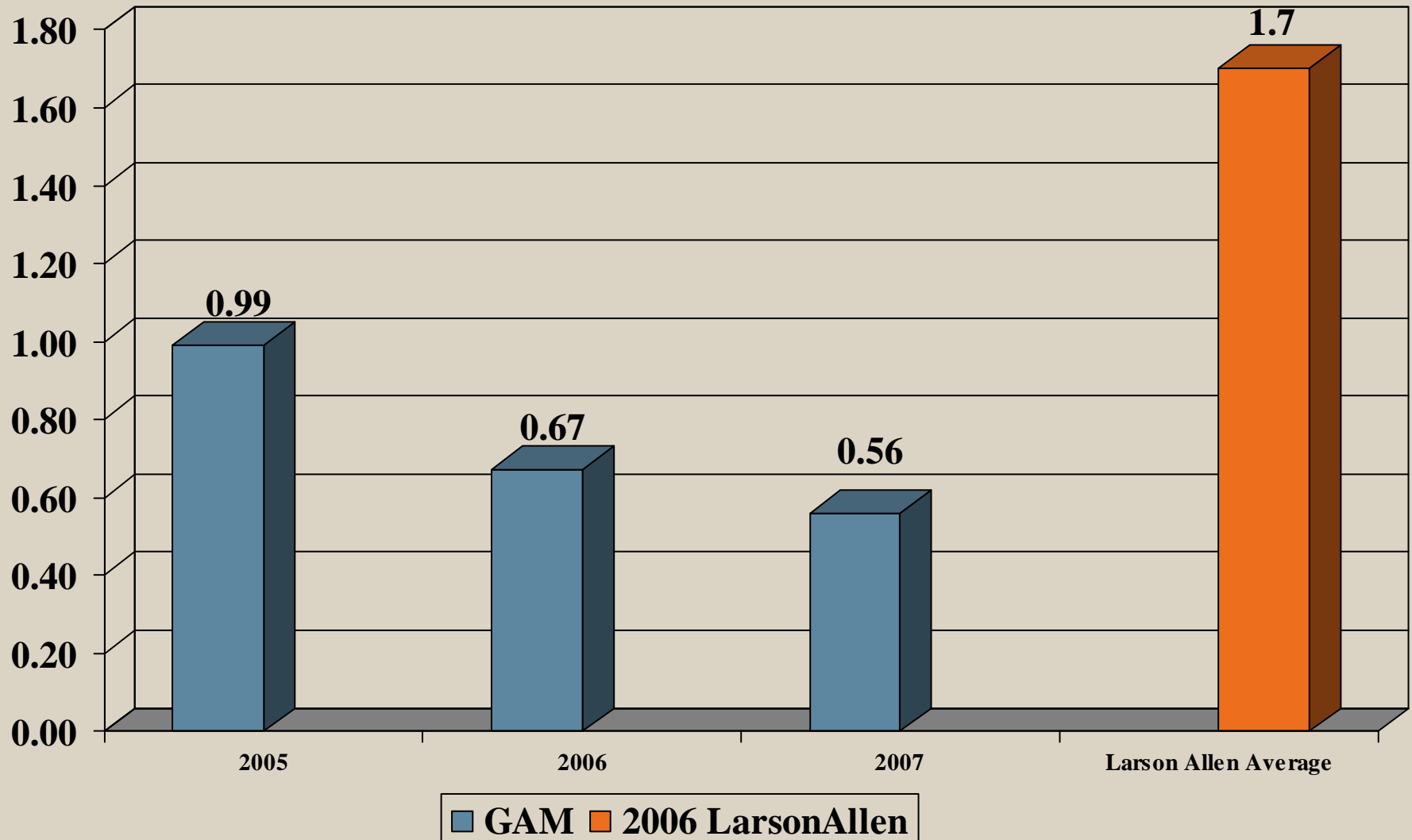
Debt Service Coverage Ratio



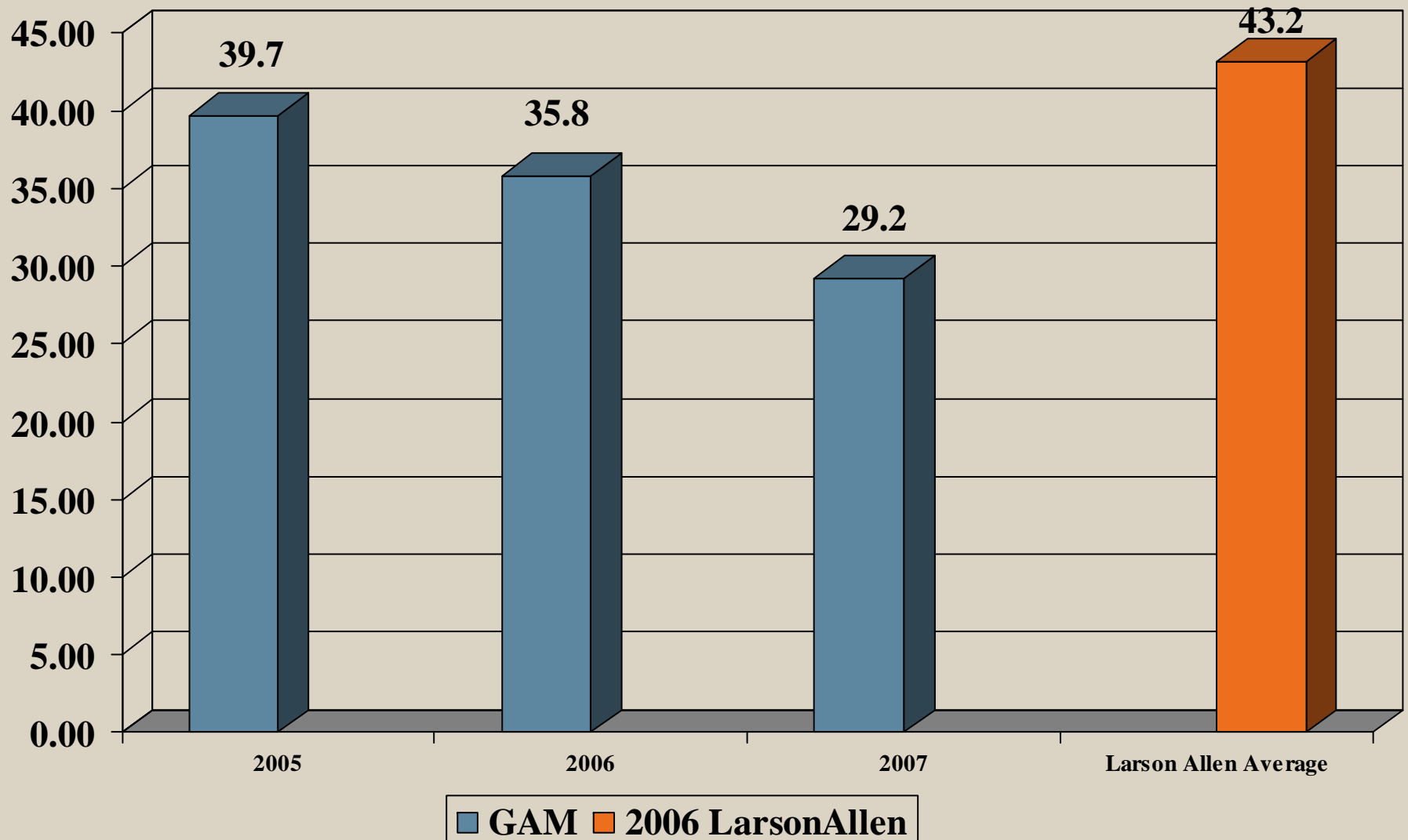
NOTICEABLY DIFFERENT



Current Ratio



Days Revenue in Accounts Receivable





Management Letter

Management Letter

The follow is a summary of various items discussed in your 2007 management letter.

Area	Comments
Material weaknesses (Required communications)	<ul style="list-style-type: none"> • Definition of a material weakness • A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. • Communication is intended solely for the information and the use of the audit committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.
Significant deficiencies (Required communications)	<ul style="list-style-type: none"> • Definition of a significant deficiency • A significant deficiency is a control deficiency that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. • Communication is intended solely for the information and the use of the audit committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.
Material weakness (Specific findings)	<ul style="list-style-type: none"> • Drafting of financial statements • Material audit adjustments
Significant deficiencies (Specific findings)	<ul style="list-style-type: none"> • Limited segregation of duties <ul style="list-style-type: none"> • Journal entry review • Resident trust bank account reconciliation
Other discussion items (Specific findings)	<ul style="list-style-type: none"> • Credit balances in accounts receivable • Bad debt allowance