



CITY OF FERTILE, MINNESOTA AND FAIR MEADOW NURSING HOME

December 31, 2022 and September 30, 2022





AUDIT RESULTS

AUDIT OPINION

➤ Basis for Opinion

- Audit was conducted in accordance with auditing standards generally accepted in the United States of America
- We are required to be independent and meet our other ethical responsibilities.

➤ Management's Responsibility

- Preparation and fair presentation of the financial statements in accordance with GAAP
- Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements.
- Evaluation of whether there are conditions or events, that raise substantial doubt about the ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

➤ Auditor's responsibility

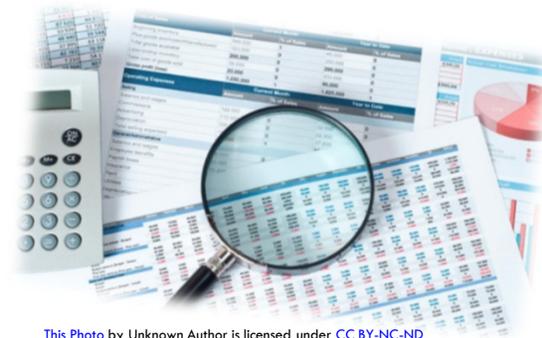
- Obtain reasonable assurance about whether the financial statements are free of material misstatement and to issue an auditor's report that includes our opinion.
- Reasonable assurance is a high level of assurance, but not absolute assurance.

AUDIT OPINION

- Auditor's responsibility in performing an audit under GAAS:
 - Exercise professional judgment and maintain professional skepticism throughout the audit.
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
 - Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the organization's ability to continue as a going concern for a reasonable period of time.

AUDIT OPINION

- The City and Nursing Home received a “clean” audit opinion
 - Unmodified opinion – financial statements are prepared using accounting principles generally accepted in the U.S. (GAAP)
- Emphasis of Matter in Nursing Home Report – Going Concern
 - Substantial doubt about the Home’s ability to continue as a going concern as of issuance date.



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AUDIT FINDINGS

INTERNAL CONTROL OVER FINANCIAL REPORTING

- **Internal Control Deficiencies – City**
 - Limited segregation of duties
 - Material audit adjustments
 - Preparation of financial statements
 - Approval of employee hours/improper retention of employee personnel forms
- **Internal Control Deficiencies – Nursing Home**
 - Limited segregation of duties
 - Material audit adjustments
 - Preparation of financial statements
 - Account reconciliation



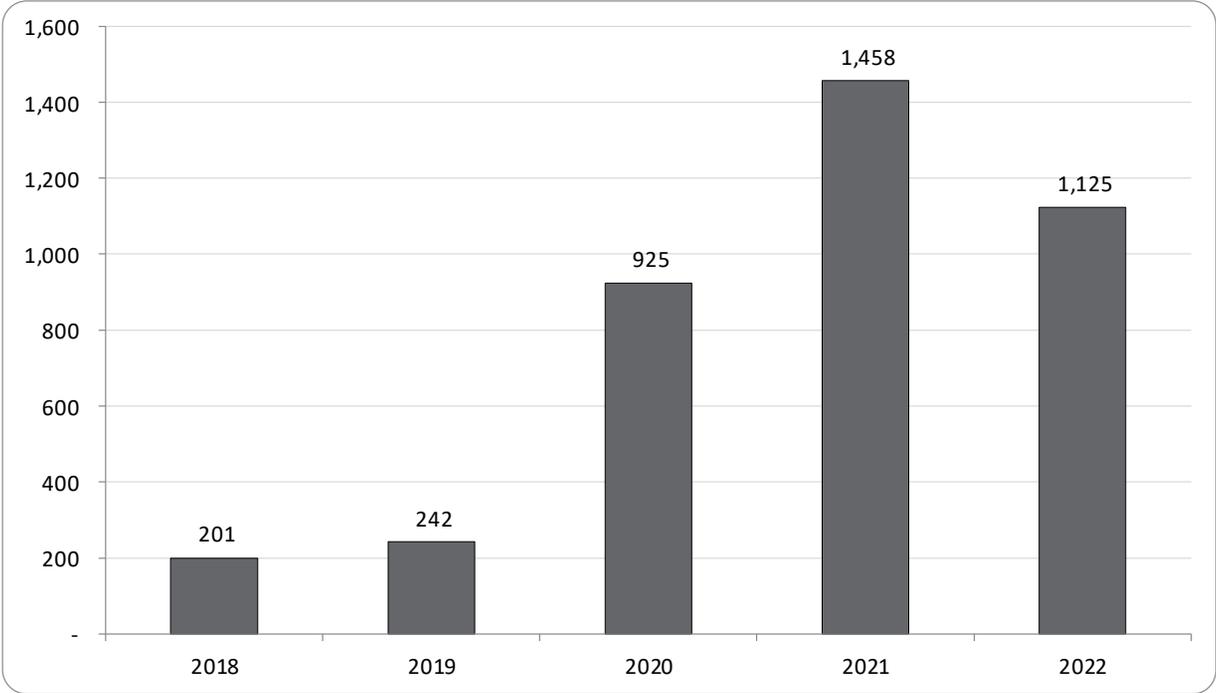
FINANCIAL OVERVIEW — CITY OF FERTILE



CASH AND INVESTMENTS — CITY OF FERTILE

CASH/INVESTMENTS (EXCLUDING NURSING HOME)

Balances (in thousands) of the City for the past five years:





GENERAL FUND — CITY OF FERTILE

BUDGET TO ACTUAL

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Property taxes and special assessments	\$ 253,000	\$ 264,314	\$ 11,314
Intergovernmental revenues	387,042	394,133	7,091
Charges for services	86,750	153,301	66,551
Other revenues	185,250	105,935	(79,315)
Total revenues	912,042	917,683	5,641
			0.6%
			Positive
Expenditures			
General government	117,820	152,633	(34,813)
Public safety	99,735	107,529	(7,794)
Streets and highways	231,897	169,771	62,126
Community center	34,700	44,066	(9,366)
Culture and recreation	35,650	51,693	(16,043)
Unallocated benefits and insurance	167,045	110,037	57,008
Debt service	-	56,592	(56,592)
Capital outlay	85,000	109,469	(24,469)
Other expenditures	116,100	137,278	(21,178)
Total expenditures	887,947	939,068	(51,121)
			-5.8%
			Negative
Revenues over expenditures	24,095	(21,385)	(45,480)
Other Financing Sources			
Transfers In	-	117,815	117,815
Net Change in Fund Balance	<u>\$ 24,095</u>	96,430	<u>\$ 72,335</u>
Fund Balance, Beginning of Year		<u>946,351</u>	
Fund Balance, End of Year		<u>\$ 1,042,781</u>	

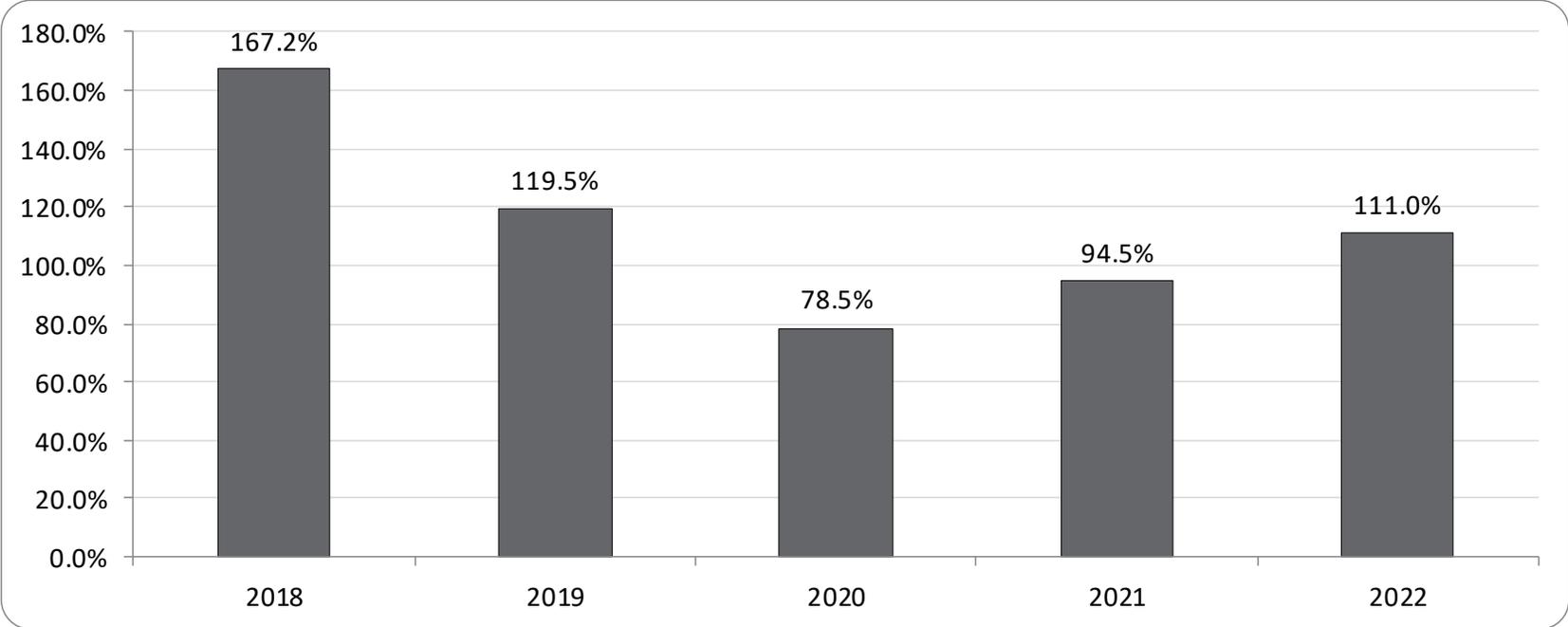
A POSITIVE FUND BALANCE:

- 1** Contributes to a favorable bond rating
- 2** Produces investment income and provides a source of working capital to meet cash flow needs
- 3** Offers a cushion for unexpected expenditures or revenue shortfalls



UNRESTRICTED FUND BALANCE

The City's unrestricted fund balance as a percentage of expenditures in the General Operations Department for the last 5 years

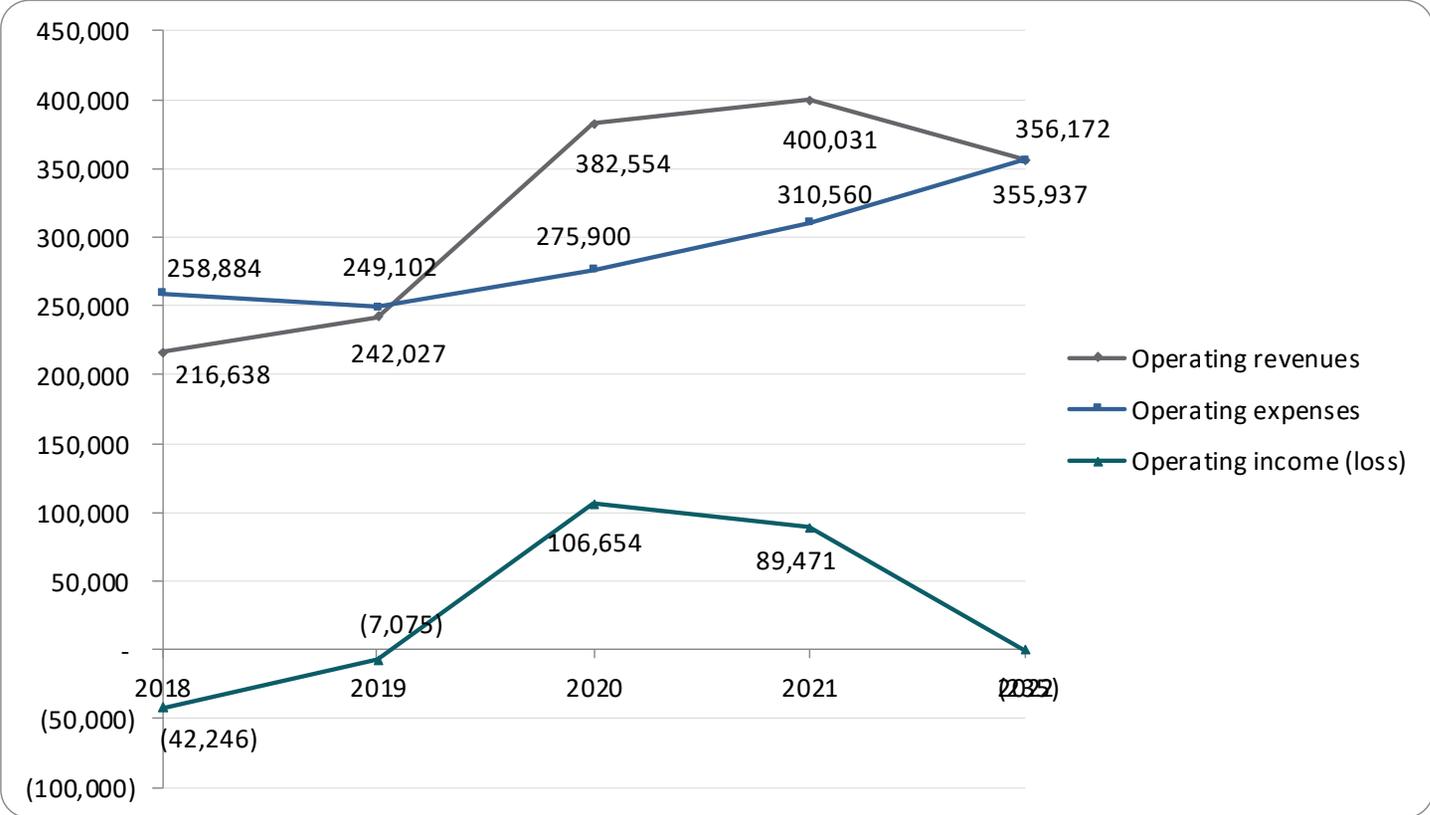




OTHER FUNDS — CITY OF FERTILE

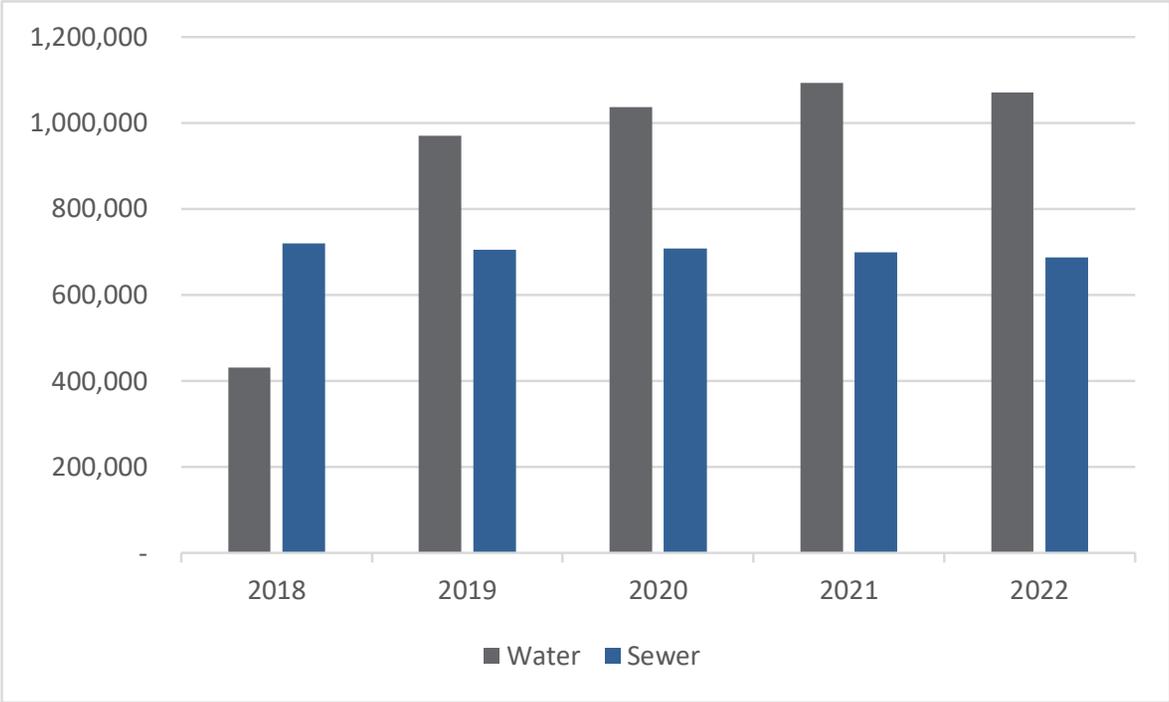
OPERATING REVENUES, EXPENSES, AND INCOME WATER AND SEWER FUNDS

The operating revenues (grey), operating expenses (blue), and operating income (green) for the water and sewer funds are presented below.



YEAR-END NET POSITION WATER AND SEWER FUNDS

Positive net position indicates that revenues from operating activities and interest have been sufficient to meet the required debt service payments.





FINANCIAL OVERVIEW — FAIR MEADOW NURSING HOME

FAIR MEADOW NURSING HOME – CONDENSED STATEMENT OF NET POSITION

	<u>2022</u>	<u>2021</u>
Assets and Deferred Outflows of Resources		
Current assets	\$ 815,454	\$ 1,056,316
Capital assets	3,283,991	3,508,062
Deferred outflows of resources	<u>930,848</u>	<u>1,341,420</u>
Total assets and deferred outflows of resources	<u>\$ 5,030,293</u>	<u>\$ 5,905,798</u>
Liabilities and Deferred Inflows of Resources		
Current liabilities	\$ 675,846	\$ 631,620
Long-term debt, less current maturities	3,292,105	3,455,737
Net pension liability	3,136,333	1,823,481
Deferred inflows of resources	<u>183,688</u>	<u>1,674,047</u>
Total liabilities and deferred inflows of resources	<u>7,287,972</u>	<u>7,584,885</u>
Net Position		
Net investment in capital assets	(158,114)	(114,598)
Restricted - expendable	23,705	-
Unrestricted	<u>(2,123,270)</u>	<u>(1,564,489)</u>
Total net position	<u>(2,257,679)</u>	<u>(1,679,087)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,030,293</u>	<u>\$ 5,905,798</u>

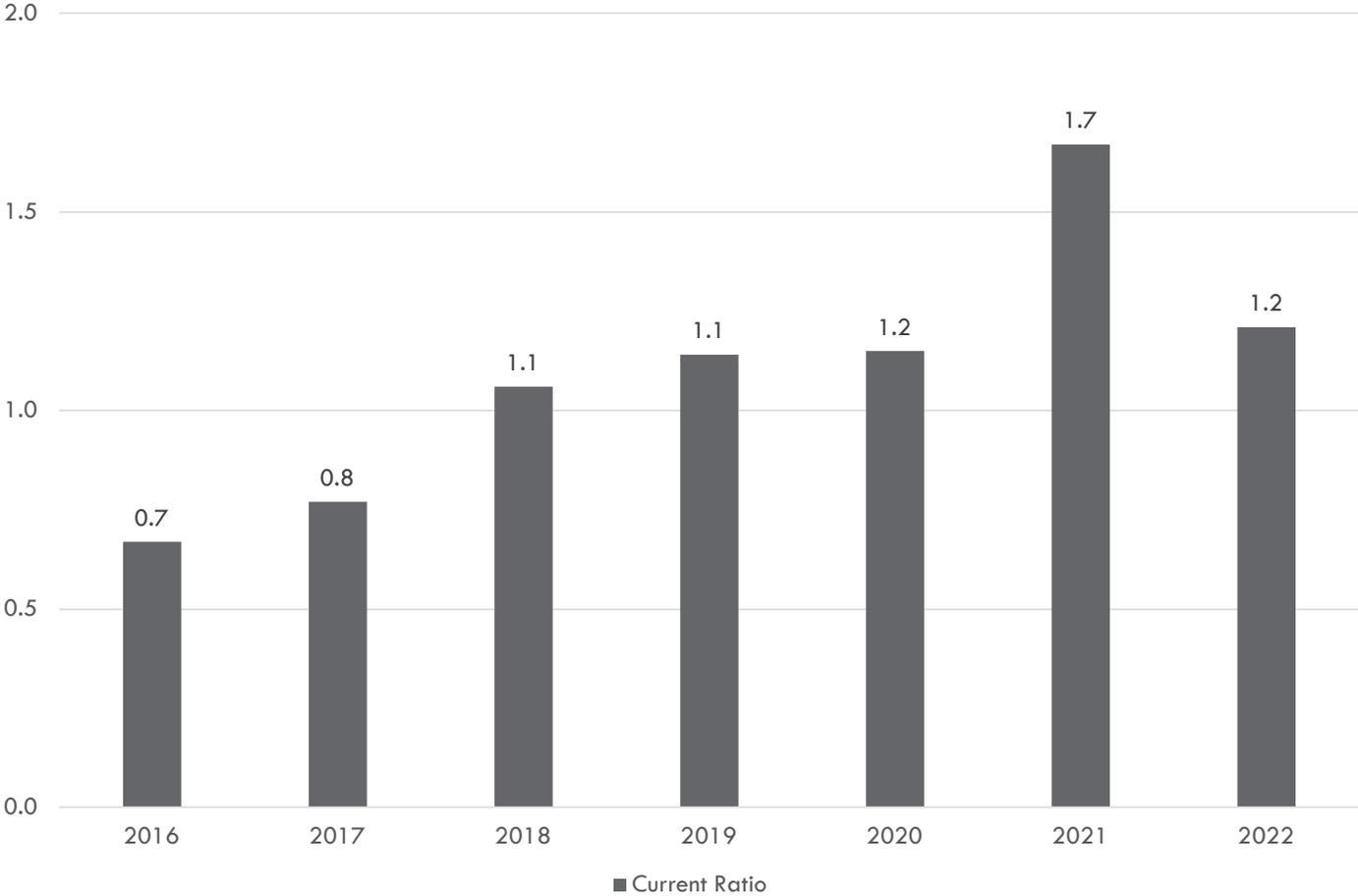
FAIR MEADOW NURSING HOME – CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Net resident service revenue	\$ 6,037,456	\$ 5,527,345
Other revenues	71,942	29,132
Total operating revenues	<u>6,109,398</u>	<u>5,556,477</u>
Operating Expenses	<u>6,654,292</u>	<u>5,571,199</u>
Operating Loss	(544,894)	(14,722)
Nonoperating Income (Expenses), Net	<u>(18,750)</u>	<u>797,271</u>
Revenues in Excess of (Less Than) Expenses Before Capital Contributions and Transfers	(563,644)	782,549
Capital Contributions	58,171	60,303
Transfers to the City of Fertile	<u>(73,119)</u>	<u>(135,758)</u>
Increase (Decrease) in Net Position	(578,592)	707,094
Net Position, Beginning of Year	<u>(1,679,087)</u>	<u>(2,386,181)</u>
Net Position, End of Year	<u>\$ (2,257,679)</u>	<u>\$ (1,679,087)</u>

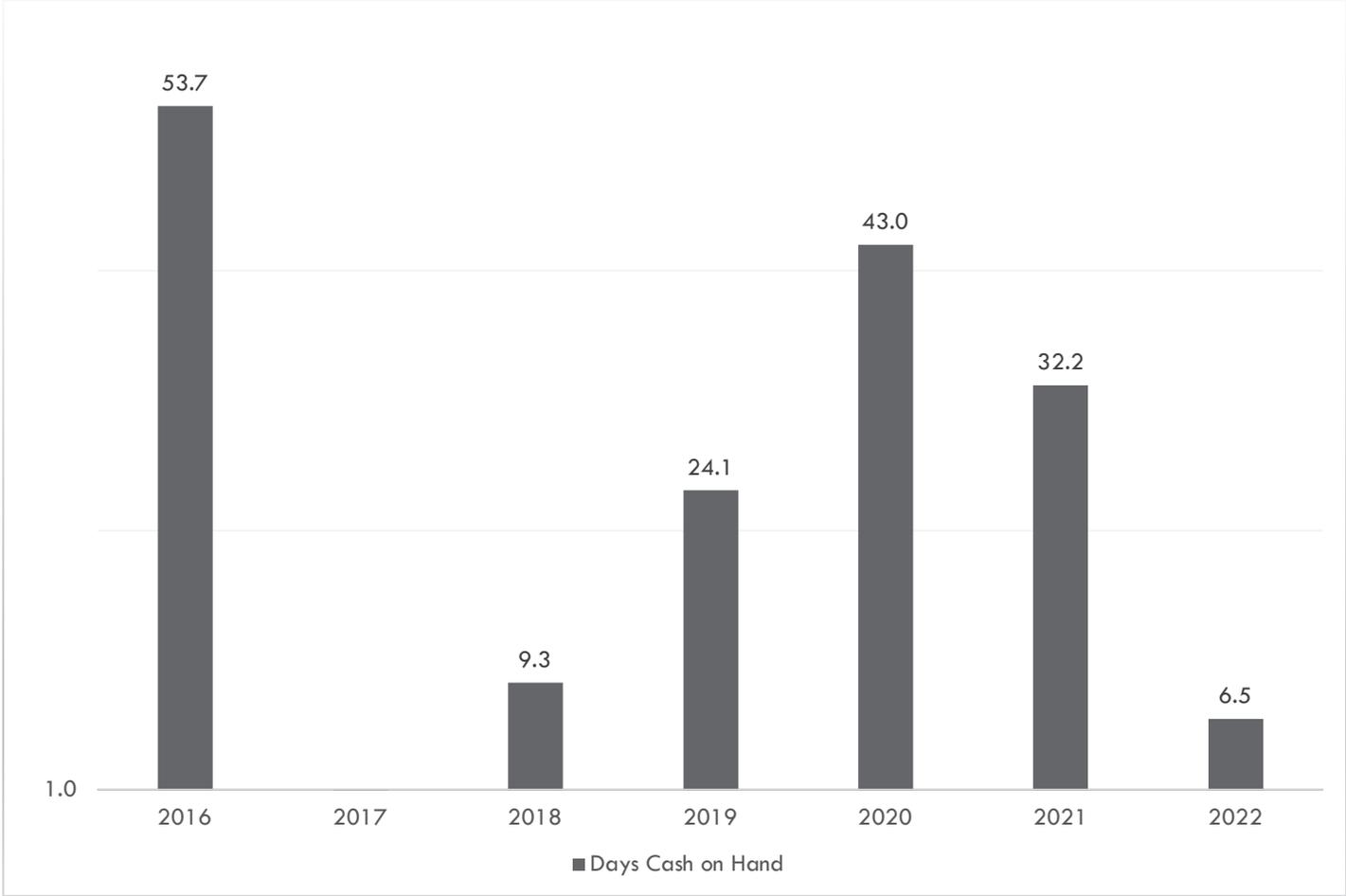


ANNUAL TRENDS – FAIR MEADOW NURSING HOME

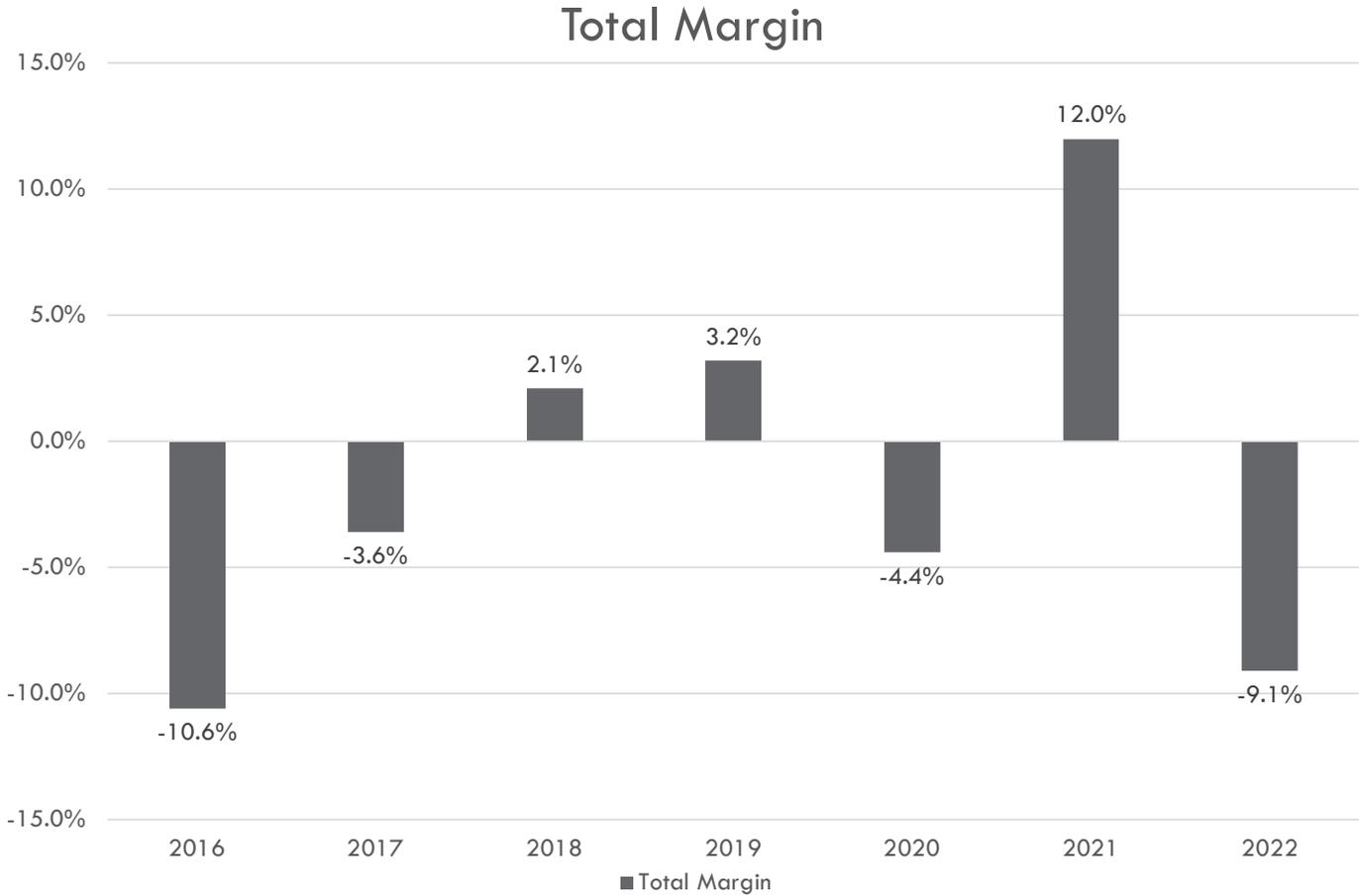
CURRENT RATIO



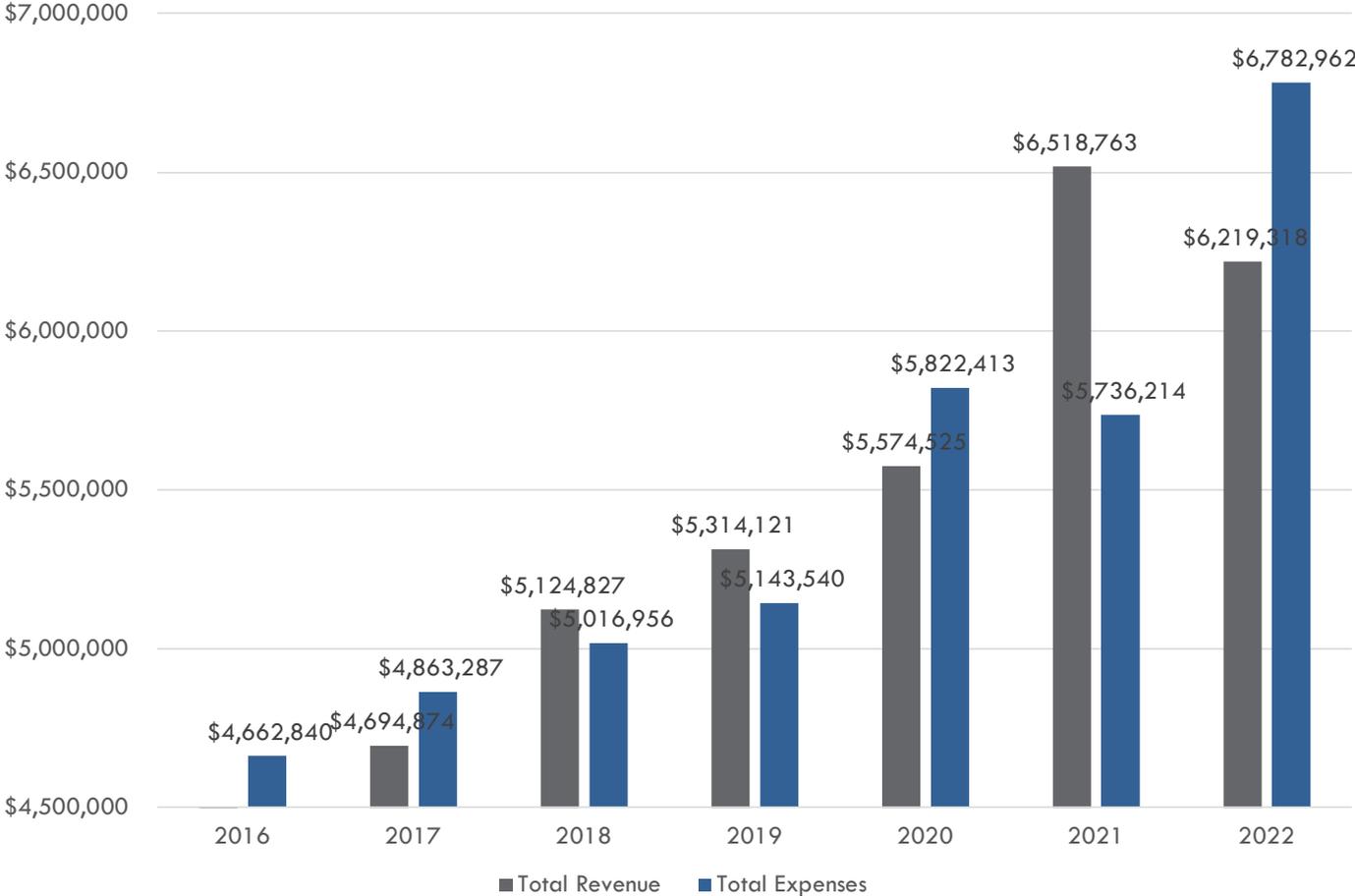
DAYS CASH ON HAND – ALL SOURCES



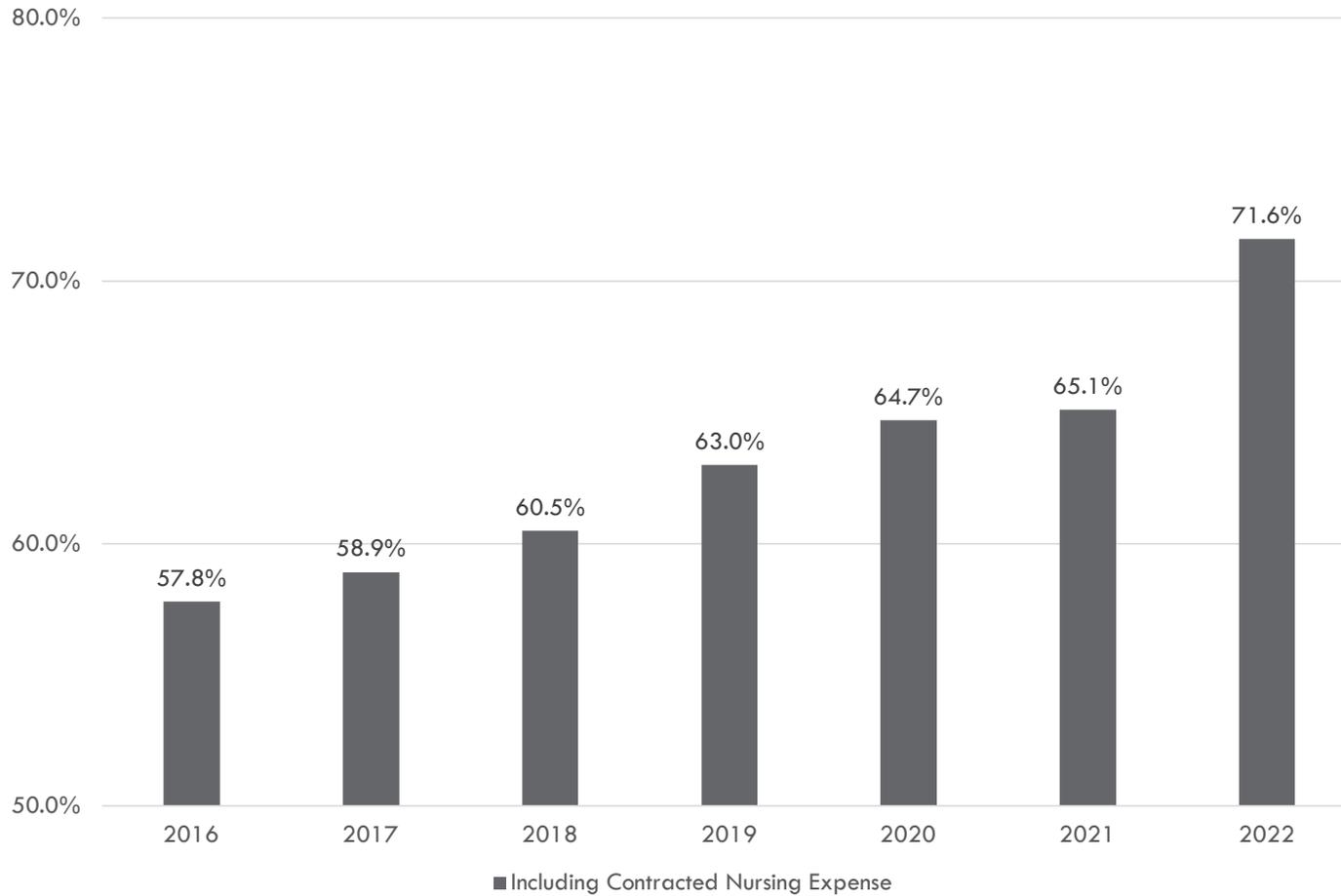
TOTAL MARGIN



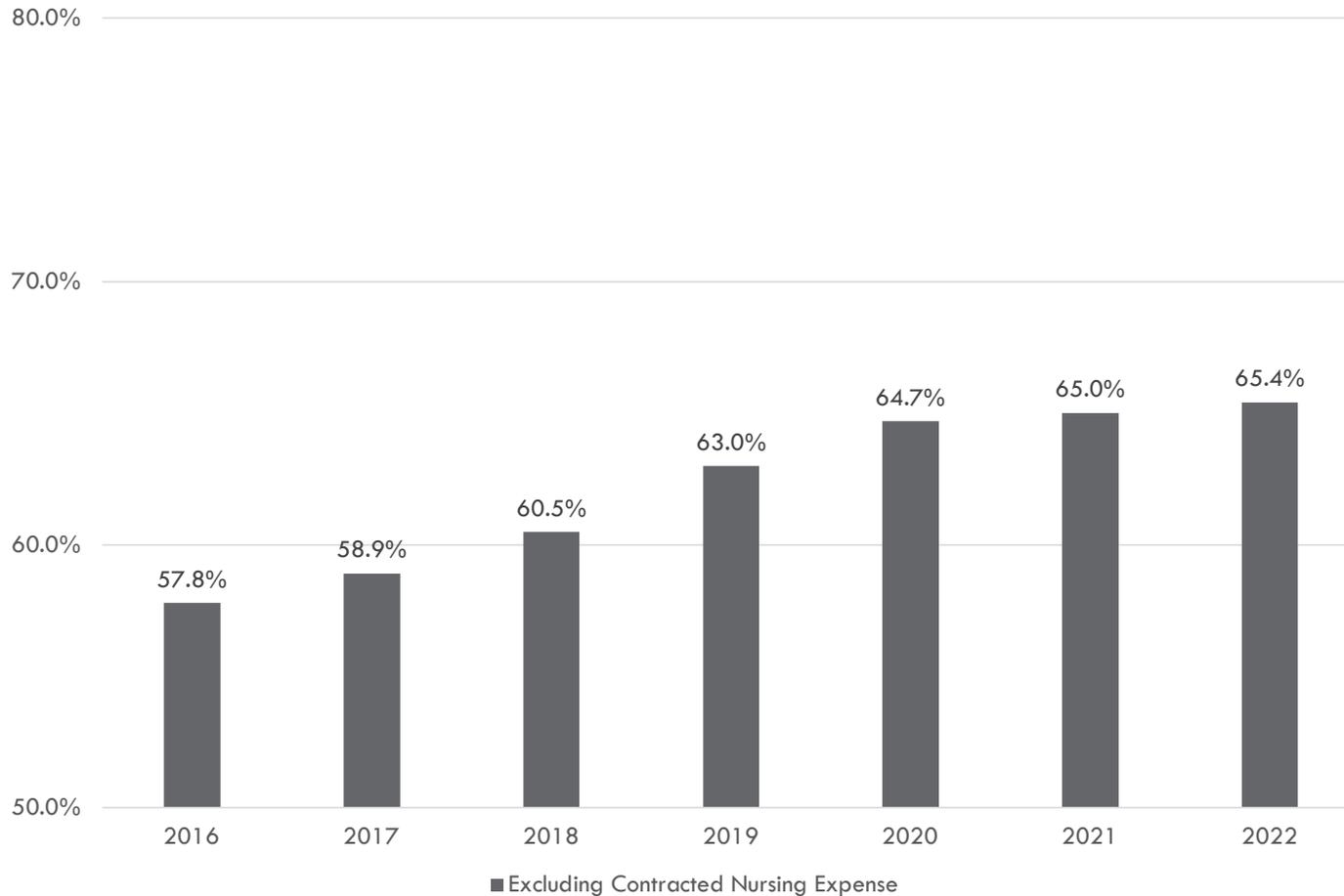
REVENUE AND EXPENSES



SALARIES AND BENEFITS AS A PERCENTAGE OF TOTAL EXPENSES, INCLUDING CONTRACTED NURSING



SALARIES AND BENEFITS AS A PERCENTAGE OF TOTAL EXPENSES, EXCLUDING CONTRACTED NURSING





THANK YOU

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