AKRON CARE CENTER, INC.

INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION,
AND SCHEDULE OF FINDINGS

JUNE 30, 2010 AND 2009

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AKRON CARE CENTER, INC.

OFFICIALS

NAME	TITLE	TERM EXPIRES
Brad Britton	President	Dec 2011
Dan Rexwinkel	Vice President	Dec 2011
Iola Frerichs	Secretary	Dec 2009
Tami Small	Member	Dec 2009
Casey Meinen	Member	Dec 2011
Gail Olson	Administrator	Indefinite

WILLIAMS & COMPANY P.C.
Certified Public Accountants

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P.O. Box 238
Onawa, IA 51040
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Akron Care Center, Inc.
Akron, Iowa

We have audited the accompanying statement of net assets of Akron Care Center, Inc., a component unit of the City of Akron, Iowa, as of June 30, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, which collectively comprise the Care Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Akron Care Center's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Akron Care Center, Inc. as of June 30, 2010 and the respective changes in financial position, and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 4, 2011, on our consideration of Akron Care Center Inc.'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 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 and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Akron Care Center, Inc. has not presented management's discussion and analysis but has presented budgetary comparison information on page 14 to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

Williams & Company P.C.
Certified Public Accountants

Onawa, Iowa
January 4, 2011

AKRON CARE CENTER, INC.

AKRON CARE CENTER, INC.

STATEMENTS OF NET ASSETS

JUNE 30, 2010 AND 2009

ASSETS

	2010	2009
CURRENT ASSETS		
Cash and Cash Equivalents	$ 184,819	$ 104,052
Board Designated Cash	35,596	39,546
Investments	11,462	9,213
Accounts Receivable (Less Allowance for Doubtful Accounts $6,140 and $10,200 for 2010 and 2009)	129,215	102,425
Prepaid Expenses	11,533	9,917
Total Current Assets	372,625	265,153
NON-CURRENT ASSETS		
Land	23,004	23,004
Other Capital Assets Being Depreciated -Note 4	2,083,222	2,057,922
Less Accumulated Depreciation	(1,280,398)	(1,230,885)
Total Noncurrent Assets	825,828	850,041
Total Assets	1,198,453	1,115,194
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	73,293	34,029
Accrued Salaries and Payroll Taxes Payable	57,900	67,496
Accrued Compensated Absences Payable - Current	17,675	18,250
Accrued Interest Payable	8,425	3,875
City of Akron Note - Current - Note 5	22,000	12,000
Current Maturities of Long-Term Debt - Note 6	19,483	18,674
Total Current Liabilities	198,776	154,324
NON-CURRENT LIABILITIES		
Accrued Compensated Absences Payable - Long-Term	53,026	54,751
City of Akron Note - Long-Term - Note 5	118,000	148,000
Long-Term Debt - Note 6	326,217	347,659
Total Non-Current Liabilities	497,243	550,410
Total Liabilities	696,019	704,734
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	480,128	483,708
Unrestricted (Deficit)	22,306	(73,248)
Total Net Assets	$ 502,434	$ 410,460

See Accompanying Notes to Financial Statements

AKRON CARE CENTER, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Patient and Resident Revenue	$ 2,079,885	$ 1,795,337
Meals	5,898	5,539
Miscellaneous Income	14,809	4,843
Total Operating Revenues	2,100,592	1,805,719
OPERATING EXPENSES		
Administrative Expenses	418,341	384,394
Dietary Services	238,323	240,906
General Services	212,832	167,812
Patient Care Services	976,383	895,317
Depreciation	21,048	20,069
Apartments - Village South	25,504	32,486
Apartments - Village North	127,043	105,165
Total Operating Expenses	2,019,474	1,846,149
OPERATING INCOME (LOSS)	81,118	(40,430)
NON-OPERATING REVENUES AND EXPENSES		
Donations and Memorials	8,225	39,465
Interest Income	382	184
Unrealized Gain (Loss) on Investments	2,249	(11,311)
Total Non-Operating Revenues	10,856	28,338
Changes in Net Assets	91,974	(12,092)
Net Assets at Beginning of Year	410,460	416,525
Net Assets at End of Year	502,434	404,433
Prior Period Adjustment	-	6,027
Net Assets at End of Year as Restated	$ 502,434	$ 410,460

See Accompanying Notes to Financial Statements

AKRON CARE CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Patient and Resident Services	$ 2,053,095	$ 1,778,951
Cash Paid to Suppliers for Goods and Services	(580,092)	(424,565)
Cash Paid to Employees for Services	(1,340,625)	(1,345,550)
Donations Received	8,225	39,465
Other Operating Revenues	20,707	10,382
Net Cash Provided By Operating Activities	161,310	58,683
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(25,225)	(17,738)
Proceeds from City of Akron Note	-	100,000
Proceeds from Bank Note Payable	-	375,000
Principal Paid on Bank Note Payable	(20,633)	(387,954)
Interest Paid on Bank Note Payable	(19,017)	(14,240)
Principal Paid on City of Akron Note	(20,000)	-
Net Cash Provided (Used) By Capital and Related Financing Activities	(84,875)	55,068
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	382	184
Net Increase in Cash and Cash Equivalents	76,817	113,935
Cash and Cash Equivalents at Beginning of Year	143,598	29,663
Cash and Cash Equivalents at End of Year	$ 220,415	$ 143,598
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS		
Cash and Cash Equivalents	$ 184,819	$ 104,052
Board Designated Cash	35,596	39,546
Total Cash and Cash Equivalents	$ 220,415	$ 143,598

(Continued)

Supplemental Disclosure

Non-Cash Activities

Unrealized Gain (Loss) for the years ended June 30, 2010 and 2009 were $2,249 and ($11,311), respectively.

AKRON CARE CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009

(Continued)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	81,118	(40,430)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:		
Donations	8,225	39,465
Interest Expense	23,567	18,115
Bad Debt Expense	21,856	8,200
Depreciation	49,438	49,505
Changes in Assets and Liabilities:		
(Increase) in Accounts Receivable	(48,646)	(24,586)
Decrease in Supplies Inventory		1,408
(Increase) Decrease in Prepaid Expenses	(1,616)	370
Increase in Accounts Payable	39,264	13,850
Increase (Decrease) in Accrued Salaries and Payroll Taxes Payable	(9,596)	3,908
(Decrease) in Accrued Compensated Absences Payable	(2,300)	(11,122)
Total Adjustments	80,192	99,113
Net Cash Provided By Operating Activities	$ 161,310	$ 58,683

See Accompanying Notes to Financial Statements

Note 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization is a component unit of the City of Akron, Iowa established to provide and maintain health care facilities, and to promote the general health of the community. The Care Center is governed by a Board of Trustees in accordance with Chapter 392 of the Code of Iowa and Akron City Ordinance. Prior to July 1, 1986, the Care Center operated as Akron City Hospital. The facility changed its name during the year from Akron City Convalescent Care Center to Akron Care Center, Inc.

Akron Care Center, Inc. is licensed as a nursing facility with a bed capacity of 48 beds. Substantially all of the Care Center's patients and residents are local residents and a majority of them are entitled to benefits under the Medicaid/Title XIX program. Akron Care Center, Inc. also operates two senior living apartment complexes separate from the licensed facility. For the years ended June 30, 2010 and 2009, Title XIX revenue, as a percentage of total revenue, was 45% and 55%, respectively. Medicare revenue as a percentage of total revenue was 7% for the year ended June 30, 2010. Akron Care Center, Inc. did not offer skilled care in the fiscal year 2009.

Akron Care Center, Inc.'s financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Akron Care Center, Inc. has included all funds, organizations, agencies, boards, commissions and authorities. The Care Center has also considered all potential component 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 Governmental Accounting Standards Board (GASB) 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 Akron Care Center, Inc. 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 Akron Care Center, Inc. Akron Care Center, Inc. has no component units which meet the Governmental Accounting Standards Board criteria. Akron Care Center, Inc. is a component unit of the City of Akron, Iowa.

B. Basis of Presentation

The accounts are organized as a single special purpose government and accounted for as a business-type activity. Business-type activities are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Akron Care Center, Inc. applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Note 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash and Cash Equivalents – Akron Care Center, Inc. considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Accounts Receivable – Accounts receivable are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all individual patent balances.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by Akron Care Center, Inc. as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings and Improvements	$ 5,000
Equipment and Vehicles	1,000

Capital assets of Akron Care Center, Inc. are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and Improvements	10 - 50
Equipment and Vehicles	3 - 25

Interest is capitalized on qualified assets with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2010 and 2009.

Note 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

F. Statement of Revenues, Expenses and Changes in Net Assets

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as non-operating revenues and expenses.

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers and a provision for uncollectable accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

G. Statement of Revenues, Expenses and Changes in Net Assets

Revenue from services provided to Medicaid (Title XIX) nursing care patients under an agreement with the Iowa Department of Human Services is recorded at reimbursement rates determined by the Department. These rates are below the Care Center's established rates.

Note 2 – CASH AND INVESTMENTS

The Care Center's deposits in banks at June 30, 2010 and 2009 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

A Health Care Facility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; common stock; perfected repurchased agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

At June 30, 2010 and 2009 the Care Center had the following investment:

June 30, 2010

Investment	Fair Value	Maturity
Principal Financial Group, Inc. Common Stock	$ 11,462	None

June 30, 2009

Investment	Fair Value	Maturity
Principal Financial Group, Inc. Common Stock	$ 9,213	None

Interest Rate Risk – This 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 Care 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.

Custodial Credit Risk – The Care Center has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss on public funds. However, the common stock is subject to fluctuation in market activity.

Note 3 – ESTIMATED AMOUNTS DUE FROM AND DUE TO CONTRACTING AGENCIES

The Care Center has entered into reimbursement agreements for nursing services rendered to Veterans Administration and Medicaid patients. The Care Center enters into contracts with the Veterans Administration to provide reimbursement at stated per diem rates on a patient by patient basis. The Medicaid program has adopted a prospective per diem reimbursement method which represents full payment on submitted claims.

Note 4 – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2010 and 2009 was as follows:

	Balance Beginning of Year	Additions	Retirements	Balance End of Year
Fiscal year ended June 30, 2010:				
Capital assets not being depreciated:				
Land	$ 23,004			$ 23,004
Capital assets being depreciated:				
Building and improvements	1,806,423	$ -	$ -	1,806,423
Equipment and furnishings	251,499	25,300	-	276,799
Total capital assets being depreciated	2,057,922	25,300	-	2,083,222
Less accumulated depreciation for:				
Building and improvements	1,013,145	40,830	-	1,053,975
Equipment and furnishings	217,740	8,683	-	226,423
Total accumulated depreciation	1,230,885	49,513	-	1,280,398
Total capital assets being depreciated, net	827,037	(24,213)	-	802,824
Total capital assets, net	$ 850,041	$ (24,213)	$ -	$ 825,828
Fiscal year ended June 30, 2009:				
Capital assets not being depreciated:				
Land	$ 23,004			$ 23,004
Capital assets being depreciated:				
Building and improvements	1,802,247	$ 5,221	$ (1,045)	1,806,423
Equipment and furnishings	246,458	12,509	(7,468)	251,499
Total capital assets being depreciated	2,048,705	17,730	(8,513)	2,057,922
Less accumulated depreciation for:				
Building and improvements	973,574	40,616	(1,045)	1,013,145
Equipment and furnishings	216,326	8,882	(7,468)	217,740
Total accumulated depreciation	1,189,900	49,498	(8,513)	1,230,885
Total capital assets being depreciated, net	858,805	(31,768)	-	827,037
Total capital assets, net	$ 881,809	$ (31,768)	$ -	$ 850,041

Note 4 – CAPITAL ASSETS (Cont.)

Reconciliation of Investment in Capital Assets

	Business-Type Activities	
	2010	2009
Land	$ 23,004	$ 23,004
Capital Assets (net of accumulated depreciation)	802,824	827,037
Note Payable	(345,700)	(366,333)
Investment in Capital Assets, Net of Related Debt	$ 480,128	$ 483,708

Note 5 – CITY OF AKRON NOTE

At July 1, 2008, Akron Care Center, Inc. owed $60,000 to the City of Akron, this was due on demand. In February 2009, this note was converted to a long-term note with a maturity date of August 2013, interest rate of 0.00% and no set payment schedule determined. If no payments are made during the term of the note, the Care Center has the ability to renegotiate the terms of the note. A payment of $20,000, was made during 2010. Based upon the present cash flow, management expects to make a $10,000 payment in the next fiscal year.

Also during February 2009, the City of Akron advanced to Akron Care Center, Inc. an additional $100,000 to cover operating expenses. The Care Center made no payments to the City of Akron during the year ended June 30, 2010 resulting in an outstanding balance of $100,000. The terms are as follows: the note is due in September 2013, interest rate of 4.50% and no set payment schedule determined. Management plans on making payments of $1,000 per month.

The following are the long-term debt maturities over the future fiscal years ending June 30:

Year Ending June 30,	Principal Note #1	Principal Note #2	Interest	Total
2011	$ 10,000	$ 12,000	$ 4,002	$ 26,002
2012	30,000	12,000	2,985	44,985
2013		12,000	1,921	13,921
2014		12,000	808	12,808
2015		52,000	23	52,023
Total	$ 40,000	$ 100,000	$ 9,739	$ 149,739

	2010	2009
Total City of Akron Note	$ 140,000	$ 160,000
Less: Current Maturities	22,000	12,000
Balance due, Total City of Akron Note – Long Term	$ 118,000	$ 148,000

Note 6 - LONG-TERM DEBT

Long-term debt consists of a note payable to Peoples Bank with an original principal of $625,000. The note financed the construction of the Village North Apartment Complex, an 8-unit senior living facility completed in December 2003. The note is payable in 120 equal monthly installments of $6,122 including interest at 3.30%. The note shall be payable solely and only out of the net revenue of the Care Center and shall be a first lien on the future net revenues of the Care Center. The note was refinanced on November 24, 2008 for $375,000 which is payable in 180 equal monthly installments of $2,823 including interest at 4.25%.

Note 6 - LONG-TERM DEBT (Cont.)

A summary of long-term debt at June 30, 2010 and 2009 follows:

	2010	2009
Note Payable – Peoples Bank	$ 345,700	$ 366,333
Less current portion	19,483	18,674
	$ 326,217	$ 347,659

The following are the long-term debt maturities over the future fiscal years ending June 30:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2011	4.25%	$ 19,483	$ 14,396	$ 33,879
2012	4.25%	20,306	13,573	33,879
2013	4.25%	21,229	12,650	33,879
2014	4.25%	22,128	11,751	33,879
2015	4.25%	23,087	10,792	33,879
2016 – 2020	4.25%	131,327	38,069	169,396
2021 – 2024	4.25%	108,140	8,575	116,715
Total		$ 345,700	$ 120,628	$ 455,506

Note 7 – OPERATING LEASES

The Care Center leases various equipment under operating leases. Rental expense under these leases was $2,270 and $2,273 for the years ended June 30, 2010 and 2009, respectively.

Note 8 – RELATED PARTY TRANSACTIONS

The Care Center purchases its electricity, water, sewer and garbage services from the City of Akron's municipal utility. The total amounts purchased for the years ended June 30, 2010 and 2009 were $33,500 and $30,485, respectively. In addition, the Care Center received cash donations of $7,638 and $39,465 for the years ended June 30, 2010 and 2009, respectively.

Note 9 – PENSION AND RETIREMENT BENEFITS

The Care Center contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which as established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the Care Center is required to contribute 6.65% of covered salary. Contribution requirements are established by state statute. The Care Center's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were $61,978, $68,995 and $67,633, respectively, equal to their required contributions for each year.

Note 10 – RISK MANAGEMENT

The Care Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Care Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Note 10 – RISK MANAGEMENT (Cont.)

The Care Center's workers' compensation insurance coverage is purchased from an association of Iowa long-term care providers. The program includes a minimum contribution to cover projected claims and administration costs as well as a potential maximum contribution level. If a member's actual claims for any policy year exceed the claim fund amount included in the minimum contribution, after adjustment for actual payrolls, the member is required to contribute the excess, up to the stated maximum contribution.

Losses for claims in excess of the minimum contributions to the claim fund are accrued when information provided by the Association indicates an assessment is probable and can be reasonably estimated. At June 30, 2010, there were no claims in excess of the minimum contributions to the claim fund.

Note 11 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to ending of the year net assets on the Statement of Revenues, Expenses and Changes in Net Assets to record fundraising and auxiliary cash recorded during fiscal year 2010. The increase to ending of the year net assets for June 30, 2009 was as follows:

Net Assets at End of Year	$ 404,433
Prior Period Adjustment	6,027
Net Assets at End of Year as Restated	$ 410,460

REQUIRED SUPPLEMENTARY INFORMATION

AKRON CARE CENTER, INC.

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES

AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL (CASH BASIS)

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

	Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Budgeted Amounts		Final to Actual Cash Basis Variance
				Original	Amended	
OPERATING REVENUES						
Charges for Fees, Services and Loans	$ 2,100,592	$ (18,565)	$ 2,082,027	$ 1,930,086	$ 1,930,086	$ 151,941
OPERATING EXPENSES						
Business Type Expenditures and Principal Payments	2,019,474	(14,264)	2,005,210	1,930,086	1,930,086	(75,124)
NONOPERATING (REVENUES) EXPENSES	10,856	(10,856)	-	-	-	-
NET CHANGE IN NET ASSETS	91,974	6,555	76,817	-	-	76,817
BALANCE BEGINNING OF YEAR	410,460	(266,862)	143,598	143,598	143,598	-
BALANCE END OF YEAR	$ 502,434	$ (260,307)	$ 220,415	$ 143,598	$ 143,598	$ 76,817

See Accompanying Notes to Financial Statements

AKRON CARE CENTER, INC.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-
BUDGETARY REPORTING

JUNE 30, 2010

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Care Center on the accrual basis of accounting. The Akron Care Center submits the adopted budget to the City of Akron where it is incorporated within the City of Akron's certified budget. The City of Akron is responsible for following the requirements of public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The City of Akron's Board of Trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures.

For the year ended June 30, 2010, the Care Center's expenditures exceeded the amount budgeted; however, it is part of the business-type activities budget and for budgeting purposes we compare the actual expenditures for the entire City of Akron to the total business-type activities budget.

INDEPENDENT AUDITOR'S 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

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

To the Board of Trustees of
Akron Care Center, Inc.

We have audited the financial statements of Akron Care Center, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated January 4, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Akron Care Center Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Akron Care Center Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

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. We consider the deficiencies described in the accompanying Schedule of Findings as items II-A-10 and II-B-10 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Akron Care Center, Inc.'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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Comments involving statutory and other legal matters about Akron Care Center, Inc.'s operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Care Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statues.

Akron Care Center, Inc.'s responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Care Center's responses, we did not audit Akron Care Center, Inc.'s responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information of and use of the officials, employees and constituents of Akron Care Center, Inc. and other parties to whom Akron Care Center, Inc. may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Akron Care Center, Inc. during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams + Company P.C.
Certified Public Accountants

Onawa, Iowa
January 4, 2011

AKRON CARE CENTER, INC.

SCHEDULE OF FINDINGS

JUNE 30, 2010

Part I: Summary of the Independent Auditors' Results

A. Unqualified opinions were issued on the financial statements.

B. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements and are considered material weaknesses.

C. The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Significant Deficiencies

II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

Recommendation – An individual who does not have access to the accounting records should prepared the initial cash receipts listing at the time of opening the mail. This listing should be compared to the cash receipts journal and the bank deposits on a periodic basis by the Administrator or some other accountant.

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the manager review receipts, posting, and payroll on a test basis.

Conclusion – Response accepted.

II-B-10 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the Care Center's financial statements. Adjustments were subsequently made by the Care Center to properly include these amounts in the financial statements.

Recommendation – The Care Center should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the Care Center's financial statements.

Response – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(A) Questionable Expenses – No questionable expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

(B) Travel Expense – No disbursements of money for travel expenses of spouses of Care Center officials or employees were noted.

(C) Board Minutes – No transactions were found that we believe should have been approved in the Care Center's minutes but were not.

(D) Deposits and Investments – In accordance with Chapter 12C.2 of the Code of Iowa, Akron Care Center, Inc. is required to have a written resolution approving each depository and the maximum amount which may be kept on deposit. During our audit, we were unable to be provided with such resolution by Akron Care Center, Inc.

Recommendation – A resolution in an amount sufficient to cover the anticipated balance at the approved depository should be adopted by the Board

Response – Akron Care Center, Inc. shall designate by resolution, which shall be entered in the official minutes of the board, the names and location of the financial institutions selected as the official agency depository or depositories.

Conclusion – Response accepted.

(E) Business Transactions – No business transactions were noted between the Care Center and Care Center officials.

(F) Budget – Expenditures during the year ended June 30, 2010 exceeded the amount budgeted; however, it is part of the business-type activities budget and for budgeting purposes we compare the actual expenditures for the entire City of Akron to the total business-type activities budget.