

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO Check each applicable box below.** (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature		Printed Name		License Number

# **Cass County Medical Care Facility**

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**Financial Report  
with Additional Information  
September 30, 2007**

# Cass County Medical Care Facility

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## Independent Auditor's Report

To the Department of Human Services Board  
Cass County Medical Care Facility

We have audited the accompanying balance sheet of Cass County Medical Care Facility (a component unit of the County of Cass) (the "Facility") as of September 30, 2007 and 2006 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Facility's management. 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. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cass County Medical Care Facility at September 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the years ended September 30, 2007 and 2006. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Plante & Moran, PLLC*

January 14, 2008

# Cass County Medical Care Facility

## Balance Sheet

	September 30, 2007	September 30, 2006
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,971,866	\$ 1,662,757
Resident accounts receivable (Note 3)	673,152	692,881
Other receivables	10,157	34,892
Estimated third-party payor settlements	141,157	110,544
Other current assets:		
Prepaid expenses	95,433	99,235
Other	60,774	69,605
Total current assets	2,952,539	2,669,914
<b>Assets Limited as to Use</b>	895,653	910,407
<b>Property and Equipment</b> (Note 4)	1,269,114	1,389,457
Total assets	<b>\$ 5,117,306</b>	<b>\$ 4,969,778</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 93,506	\$ 181,141
Estimated third-party payor settlements	100,000	50,000
Accrued liabilities and other:		
Accrued compensation and related liabilities	110,774	100,107
Accrued compensated absences	62,890	60,950
Other accrued liabilities	96,471	55,009
Total current liabilities	463,641	447,207
<b>Net Assets</b>		
Invested in capital assets	1,269,114	1,389,457
Unrestricted	3,384,551	3,133,114
Total net assets	4,653,665	4,522,571
Total liabilities and net assets	<b>\$ 5,117,306</b>	<b>\$ 4,969,778</b>

# Cass County Medical Care Facility

## Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended	
	September 30, 2007	September 30, 2006
<b>Operating Revenue</b>		
Net service revenue	\$ 6,147,255	\$ 5,938,345
Other operating revenue	147,721	157,695
Total operating revenue	6,294,976	6,096,040
<b>Operating Expenses</b>		
Salaries	3,225,254	3,040,153
Other expenses	2,983,133	2,769,407
Total operating expenses	6,208,387	5,809,560
<b>Operating Income - Before prior year adjustments</b>	86,589	286,480
<b>Prior Year Third-party Settlement Adjustments</b>	-	122,108
<b>Operating Income</b>	86,589	408,588
<b>Other Income</b>	44,505	45,530
<b>Increase in Net Assets</b>	131,094	454,118
<b>Net Assets - Beginning of year</b>	4,522,571	4,068,453
<b>Net Assets - End of year</b>	<u>\$ 4,653,665</u>	<u>\$ 4,522,571</u>

# Cass County Medical Care Facility

## Statement of Cash Flows

	Year Ended	
	September 30, 2007	September 30, 2006
<b>Cash Flows from Operating Activities</b>		
Cash received from residents and third-party payors	\$ 6,186,371	\$ 5,863,595
Cash paid to employees and suppliers	(6,012,324)	(5,742,927)
Other operating receipts	147,720	157,695
Net cash provided by operating activities	321,767	278,363
<b>Cash Flows from Noncapital Financing Activities -</b>		
Maintenance of effort payments	(4,255)	-
<b>Cash Flows from Investing Activities -</b> Interest received	44,842	46,770
<b>Cash Flows from Capital Financing Activities -</b> Purchase of property and equipment	(67,999)	(99,069)
<b>Net Increase in Cash and Cash Equivalents</b>	294,355	226,064
<b>Cash and Cash Equivalents -</b> Beginning of year	2,573,164	2,347,100
<b>Cash and Cash Equivalents -</b> End of year	<u>\$ 2,867,519</u>	<u>\$ 2,573,164</u>
<b>Balance Sheet Classification of Cash</b>		
Current assets	\$ 1,971,866	\$ 1,662,757
Assets limited as to use	895,653	910,407
Total cash	<u>\$ 2,867,519</u>	<u>\$ 2,573,164</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>		
Operating income	\$ 86,589	\$ 408,588
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	188,342	185,118
Provision for bad debts	79,779	43,158
Changes in assets and liabilities:		
Resident accounts receivable	(60,050)	(136,314)
Third-party settlement receivables	(30,613)	(110,544)
Other current assets	37,367	(45,048)
(Decrease) increase in accounts payable	(87,635)	35,169
Increase (decrease) in other accrued expenses	57,988	(11,775)
Increase (decrease) in third-party settlement payables	50,000	(89,989)
Net cash provided by operating activities	<u>\$ 321,767</u>	<u>\$ 278,363</u>

# Cass County Medical Care Facility

## Notes to Financial Statements September 30, 2007 and 2006

### Note I - Nature of Business and Significant Accounting Policies

Cass County Medical Care Facility (the "Facility") is a component unit of the County of Cass.

The Facility is an 80-bed, long-term care facility owned and operated by Cass County (the "County"). It is governed by the Cass County Department of Human Services Board. This board consists of three members, two of whom are appointed by the County board of commissioners and one is appointed by the Michigan governor. Further, the County Department of Human Services Board approves the Facility's budget and submits a copy to the County board of commissioners.

The accounting policies of the Facility conform to accounting principles generally accepted in the United States of America as applicable to local government units. Because the Facility provides a service to citizens that is financed primarily by a user charge, the Facility uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

**Enterprise Fund Accounting** - The Facility uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Facility has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Basis for Presentation** - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The Facility follows the business-type activities reporting requirements of GASB Statement No. 34, which provides a comprehensive look at the Facility's financial activities.

**Cash and Cash Equivalents** - Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

**Accounts Receivable** - Accounts receivable for residents, insurance companies, and governmental agencies are based on net charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Facility's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible.

# Cass County Medical Care Facility

## Notes to Financial Statements September 30, 2007 and 2006

### Note I - Nature of Business and Significant Accounting Policies (Continued)

**Property and Equipment** - Property and equipment amounts are recorded at cost. Donated property and equipment are recorded at the estimated fair market value at the time of donation. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

**Compensated Absences** - Vacation pay is charged to operations when earned. Unused benefits that are to be paid out upon an employee leaving the Facility are recorded as a current liability in the financial statements.

**Service Revenue** - The Facility's principal activity is operating a long-term health care facility for the elderly. Revenue is derived from participation in Medicaid and Medicare programs, as well as from private pay residents. Amounts earned under the Medicaid and Medicare programs are subject to review and audit by third-party payors and make up a significant portion of revenue earned during each year, as follows:

	Percentage	
	2007	2006
Percent of revenue:		
Medicaid	58	60
Medicare	19	17

The payment methodology related to these programs is based on cost and clinical assessments that are subject to review and final approval by Medicaid and Medicare. Any adjustment that is a result of this final review and approval will be recorded in the period in which the adjustment is made. In the opinion of management, adequate provision has been made for any adjustments that may result from such third-party review.

Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by the Facility that are subject to review and final approval by Medicare.

Medicaid reimburses the Facility for inresident routine service costs, on a per diem basis, prospectively determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including

# Cass County Medical Care Facility

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## Notes to Financial Statements September 30, 2007 and 2006

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

finances, penalties, and exclusion from the Medicare and Medicaid programs.

**Maintenance of Effort** - Maintenance of Effort (M.O.E.) is a County obligation to the State of Michigan. Every month, the County receives a bill from the State of Michigan for each Medicaid resident day approved by the State during that month. M.O.E. is being accrued by the Facility and is recorded in operating expenses. M.O.E. expense amounted to \$51,887 and \$51,502 for the years ended September 30, 2007 and 2006, respectively.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

### **Note 2 - Deposits and Investments**

**Cash - County Treasurer** - These funds were under the control of the county treasurer, who deposited these funds with a bank. It is impractical to determine the amount covered by federal depository insurance as these funds are only a portion of the entire county deposits.

**Cash - Bank** - The deposits are reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or deposits in transit) at \$254,542 and \$213,211 at September 30, 2007 and 2006, respectively. The federal depository insurance coverage pertains to all the deposits of the County; hence, the specific coverage pertaining to the Facility's deposits is not determinable.

**Assets Limited as to Use** - This cash is limited as to use by the Cass County Department of Human Services Board for capital purchases, as written in the millage ballot language.

# Cass County Medical Care Facility

## Notes to Financial Statements September 30, 2007 and 2006

### Note 2 - Deposits and Investments (Continued)

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Facility is required to hold all cash or investments under the county treasurer. The County is responsible for adopting an investment policy to be in accordance with Public Act 196 of 1997. Because the Facility's cash and investments are limited to bank deposits held by the County, they are subject to custodial credit risk, which is examined in more detail as follows:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Facility does not have a specific deposit policy for custodial credit risk. The federal depository insurance coverage pertains to all of the deposits of the County; hence, the specific coverage pertaining to the Facility's deposits is not determinable.

### Note 3 - Resident Accounts Receivable

The details of resident accounts receivable are set forth below:

	2007	2006
Resident accounts receivable	\$ 729,152	\$ 728,881
Less allowance for uncollectible accounts	(56,000)	(36,000)
Net resident accounts receivable	<u>\$ 673,152</u>	<u>\$ 692,881</u>

The Facility provides services without collateral to its residents, most of whom are local residents and insured under third-party payor agreements. The mix of receivables from residents and third-party payors is as follows:

	Percentage	
	2007	2006
Medicare	19	19
Medicaid	45	59
Other payors	36	22
Total	<u>100</u>	<u>100</u>

# Cass County Medical Care Facility

## Notes to Financial Statements September 30, 2007 and 2006

### Note 4 - Property and Equipment

Cost of property and equipment and related depreciation lives for September 30, 2007 are summarized as follows:

	2006	Additions	Transfers	Retirements	2007
Land and land improvements	\$ 134,280	\$ -	\$ -	\$ -	\$ 134,280
Building	3,758,197	25,506	-	-	3,783,703
Equipment	1,080,222	42,493	-	(612)	1,122,103
Total	4,972,699	67,999	-	(612)	5,040,086
Less accumulated depreciation:					
Land and land improvements	84,232	9,258	-	-	93,490
Building	2,711,521	118,201	-	-	2,829,722
Equipment	787,489	60,883	-	(612)	847,760
Total	3,583,242	188,342	-	(612)	3,770,972
Net carrying amount	<u>\$ 1,389,457</u>	<u>\$ (120,343)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,269,114</u>

Cost of property and equipment and related depreciation lives for September 30, 2006 are summarized as follows:

	2005	Additions	Transfers	Retirements	2006
Land and land improvements	\$ 134,280	\$ -	\$ -	\$ -	\$ 134,280
Building	3,722,659	35,538	-	-	3,758,197
Equipment	1,032,479	63,531	-	(15,788)	1,080,222
Total	4,889,418	99,069	-	(15,788)	4,972,699
Less accumulated depreciation:					
Land and land improvements	74,931	9,301	-	-	84,232
Building	2,594,169	117,352	-	-	2,711,521
Equipment	744,328	58,465	-	(15,304)	787,489
Total	3,413,428	185,118	-	(15,304)	3,583,242
Net carrying amount	<u>\$ 1,475,990</u>	<u>\$ (86,049)</u>	<u>\$ -</u>	<u>\$ (484)</u>	<u>\$ 1,389,457</u>

# Cass County Medical Care Facility

## Notes to Financial Statements September 30, 2007 and 2006

### Note 5 - Retirement Plan

**Plan Description** - The Facility participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees of the Facility through the County of Cass. The Facility provides retirement, disability, and death benefits to plan members and their beneficiaries. MMERS issues a publicly available financial report that includes financial statements and required supplemental information for MMERS. That report may be obtained by writing to MMERS at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy** - Benefit provisions of MMERS, as well as employer and employee obligations to contribute, are outlined in Act No. 427 of the Public Acts of 1984, as amended. Pension expense consists of normal costs of the plan and amortization of prior-service cost over a 40-year period, net of amortization of investment gains over a 10-year period. The amortization periods were updated in 2006.

The Facility requires full-time employees to contribute 5 percent of payroll to the plan to help with funding the plan. Since employees contribute to the plan, the Facility has not been required to make a contribution because the plan is overfunded. Should the funding status change, the Facility would be required to make contributions to keep the plan fully funded. The funding status is based on a five-year rolling average compared to the current year's fair market value of the assets held.

**Annual Pension Cost** - The Facility had no required contributions to the plan. Employees' contributions to the plan amounted to \$114,560, \$104,689, and \$74,690 in 2007, 2006, and 2005, respectively. The actuarially determined contribution requirements have been met based on actuarial valuations performed at December 31, 2006, 2005, and 2004.

To show the progress of the Facility's status regarding certain key indicators, three-year trend information is presented below:

#### Facility Plan

	2006	2005	2004
Actuarial value of assets	\$ 4,257,369	\$ 3,961,794	\$ 3,736,755
Actuarial accrued liability (entry age)	3,550,797	3,322,958	3,093,962
Unfunded actuarial accrued liability	706,572	638,836	642,793
Funded ratio	119.90%	119.23%	120.78%
Covered payroll	\$ 2,303,413	\$ 1,860,533	\$ 1,791,771
UAAL as a percent of covered payroll	(30.68)%	(34.34)%	(35.87)%

# **Cass County Medical Care Facility**

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## **Notes to Financial Statements September 30, 2007 and 2006**

### **Note 6 - Risk Management**

The Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Facility has purchased commercial insurance for workers' compensation claims and participates in the County's insurance plan with the Michigan Municipal Risk Management risk pool for claims relating to general (including malpractice) and auto liability, auto physical damage, and property loss claims.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the County.

The Facility is insured against potential professional liability claims under an occurrence-basis policy, whereby all claims resulting from incidents that occur during the policy period are covered up to insurance limits, regardless of when the claims are reported to the carrier. There are no known outstanding or pending claims at September 30, 2007.

### **Note 7 - Medicaid Retroactive QAAP Settlement**

The Facility's Medicaid revenue has been partially funded by a program called Quality Assurance Assessment Program (QAAP). The current QAAP was approved by the federal government during 2006 and was made effective retroactive to October 1, 2005.

During the year ended September 30, 2007, the facility received Medicaid revenues related to QAAP of approximately \$685,000 and was assessed a "provider tax" of approximately \$445,000 based on the number of non-Medicare resident days of service provided during the year ended September 30, 2005. The State bills for the tax on a monthly basis for 2007 and the Facility paid its September 2007 bill prior to year end.

During the year ended September 30, 2006, the Facility received Medicaid revenues related to QAAP of approximately \$640,000 and was assessed a retroactive "provider tax" of approximately \$421,000 based on the number of non-Medicare resident days of service provided during the year ended September 30, 2004. The State billed for the tax on a quarterly basis due on the fifth day following the end of a quarter during 2006. Therefore, approximately \$105,000 of provider tax was due and included in accounts payable at September 30, 2006.

# **Cass County Medical Care Facility**

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## **Notes to Financial Statements September 30, 2007 and 2006**

### **Note 8 - Litigation**

The Facility is involved in litigation arising in the ordinary course of business. The ultimate outcome of this litigation is unknown at the present time and, accordingly, no provision for any liability that might result has been made in the accompanying financial statements. In the opinion of management, any liability not covered by the reserves for Medicare settlements resulting from such litigation would not be significant.

## **Additional Information**

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To the Department of Human Services Board  
Cass County Medical Care Facility

We have audited the financial statements of Cass County Medical Care Facility as of September 30, 2007 and 2006. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of operating expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Plante & Moran, PLLC*

January 14, 2008

# Cass County Medical Care Facility

## Schedule of Operating Expenses

	Year Ended September 30			
	2007			2006
	Salaries	Other	Total	Total
Plant costs	\$ -	\$ 18,486	\$ 18,486	\$ 21,741
Fringe benefits	-	852,346	852,346	736,740
Administration	306,016	182,117	488,133	454,103
Plant operations	71,330	94,216	165,546	158,481
Utilities	-	188,641	188,641	198,810
Laundry	99,167	34,168	133,335	112,475
Housekeeping	252,329	40,068	292,397	283,990
Dietary	279,659	246,623	526,282	532,064
Medical records	26,682	37,466	64,148	63,333
Social services	34,524	5,536	40,060	36,111
Diversional therapy	116,101	15,058	131,159	116,191
Other ancillary services	-	27,835	27,835	26,649
Therapy services	7,773	283,012	290,785	271,614
Pharmacy	-	99,756	99,756	65,412
Nursing	2,031,673	173,032	2,204,705	2,074,197
Quality assurance provider tax	-	444,544	444,544	421,029
Depreciation and amortization	-	188,342	188,342	185,118
Maintenance of effort	-	51,887	51,887	51,502
2007 totals	<b>\$ 3,225,254</b>	<b>\$ 2,983,133</b>	<b>\$ 6,208,387</b>	
2006 totals	<b>\$ 3,040,153</b>	<b>\$ 2,769,407</b>		<b>\$ 5,809,560</b>

January 14, 2008

To the Department of Human Services Board  
Cass County Medical Care Facility  
23770 Hospital Road  
Cassopolis, MI 49031

Dear Members:

In planning and performing our audit of the financial statements of Cass County Medical Care Facility as of and for the year ended September 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Facility's internal control over financial reporting (internal control) 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 the Facility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Facility's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, 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. We consider the following deficiency to be a significant deficiency in internal control:

- Governmental Accounting Standards Board requirements include the provision of a management's discussion and analysis with financial statements published for governmental units. The financial statements for Cass County Medical Care Facility do not include the required management's discussion and analysis.

To the Department of Human Services Board 2  
Cass County Medical Care Facility

January 14, 2008

This communication is intended solely for the information and use of management, others within the organization, and the Department of Human Services board and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink that reads "J. Eric Conway". The signature is written in a cursive style with a large, looping initial "J".

J. Eric Conway, CPA, FHFMA

Partner