

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	

Marquette County Medical Care Facility

**Financial Report
with Additional Information
December 31, 2007**

Marquette County Medical Care Facility

Contents

Report Letter	1
Financial Statements	
Balance Sheet	2
Statement of Revenue, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4-5
Notes to Financial Statements	6-13
Additional Information	14
Report Letter	15
Schedule of Net Service Revenue	16
Schedule of Operating Expenses	17



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Independent Auditor's Report

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

We have audited the accompanying balance sheet of Marquette County Medical Care Facility (a component unit of Marquette County) as of December 31, 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 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 Marquette County Medical Care Facility at December 31, 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 year. 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

February 26, 2008

Marquette County Medical Care Facility

Balance Sheet

	December 31, 2007	December 31, 2006
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 1,755,845	\$ 3,313,528
Resident accounts receivable (Note 3)	1,767,949	1,445,034
Other current assets	199,839	202,004
Total current assets	3,723,633	4,960,566
Assets Limited as to Use (Note 2)	3,760,211	2,122,462
Property and Equipment - Net (Note 4)	4,688,599	4,675,298
Total assets	<u>\$ 12,172,443</u>	<u>\$ 11,758,326</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 181,635	\$ 428,083
Patient trust liability	7,273	7,052
Accrued liabilities and other:		
Accrued compensation and related liabilities	227,712	162,136
Accrued compensated absences	548,259	523,862
Total current liabilities	964,879	1,121,133
Net Assets		
Invested in capital assets	4,688,599	4,675,298
Unrestricted	6,518,965	5,961,895
Total net assets	11,207,564	10,637,193
Total liabilities and net assets	<u>\$ 12,172,443</u>	<u>\$ 11,758,326</u>

Marquette County Medical Care Facility

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended December 31	
	2007	2006
Operating Revenue		
Net service revenue	\$ 9,834,957	\$ 9,984,427
Other operating revenue	27,908	37,501
Proportionate share reimbursement	-	241,050
Quality assurance supplement	1,362,950	1,648,965
Total operating revenue	11,225,815	11,911,943
Operating Expenses		
Salaries	5,939,332	5,789,610
Other expenses	5,157,044	5,496,911
Total operating expenses	11,096,376	11,286,521
Operating Income	129,439	625,422
Other Income - Interest income	140,932	95,555
Excess of Revenue Over Expenses	270,371	720,977
Contribution from Other County Funds	300,000	300,000
Increase in Net Assets	570,371	1,020,977
Net Assets - Beginning of year	10,637,193	9,616,216
Net Assets - End of year	<u>\$ 11,207,564</u>	<u>\$ 10,637,193</u>

Marquette County Medical Care Facility

Statement of Cash Flows

	Year Ended	
	December 31, 2007	December 31, 2006
Cash Flows from Operating Activities		
Cash received from residents and third-party payors	\$ 9,512,042	\$ 9,304,858
Cash paid to employees and suppliers	(9,906,691)	(9,495,579)
Cash received from proportionate share program	-	241,050
Cash received from quality assurance supplement	1,362,950	1,648,965
Other operating receipts	37,142	37,501
Provider tax payment	(886,988)	(1,010,664)
Net cash provided by operating activities	118,455	726,131
Cash Flows from Noncapital Financing Activities		
Resident trust deposits	221	1,635
Contribution from County	300,000	300,000
Net cash provided by noncapital financing activities	300,221	301,635
Cash Flows from Investing Activities - Interest received	140,932	95,555
Cash Flows from Capital and Related Financing Activities -		
Purchase of property and equipment	(479,542)	(206,603)
Net Increase in Cash and Cash Equivalents	80,066	916,718
Cash and Cash Equivalents - Beginning of year	5,435,990	4,519,272
Cash and Cash Equivalents - End of year	<u>\$ 5,516,056</u>	<u>\$ 5,435,990</u>
Balance Sheet Classification of Cash		
Current assets	\$ 1,755,845	\$ 3,313,528
Assets limited as to use	3,760,211	2,122,462
Total cash	<u>\$ 5,516,056</u>	<u>\$ 5,435,990</u>

Marquette County Medical Care Facility

Statement of Cash Flows (Continued)

	Year Ended	
	December 31, 2007	December 31, 2006
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 129,439	\$ 625,422
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	457,007	450,418
Provision for bad debts	34,933	50,778
Loss on disposal of capital assets	9,234	-
Changes in assets and liabilities:		
Increase in resident accounts receivable	(357,848)	(527,828)
Decrease (increase) in other current assets	2,165	(6,487)
(Decrease) increase in accounts payable	(246,448)	275,129
Increase in other accrued expenses	89,973	45,610
Decrease in third-party settlement payables	-	(186,911)
Net cash provided by operating activities	<u>\$ 118,455</u>	<u>\$ 726,131</u>

There were no significant noncash investing, capital, or financing activities for 2007 and 2006.

Marquette County Medical Care Facility

Notes to Financial Statements December 31, 2007 and 2006

Note 1 - Nature of Business and Significant Accounting Policies

Enterprise Fund Accounting - Marquette County Medical Care Facility (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 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.

Marquette County Medical Care Facility is a component unit of the County of Marquette (the "County"). Its financial statements are included in the County's basic financial statements.

Marquette County Medical Care Facility is a 140-bed long-term care facility owned and operated by Marquette County. It is governed by the Marquette 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 appointed by the Michigan governor. Further, the County Board of Commissioners approves the Facility's revenue and expenses as a line item in the County budget.

The accounting policies of the Facility conform to accounting principles generally accepted in the United States of America as applicable to local governmental 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.

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.

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

Marquette County Medical Care Facility

Notes to Financial Statements December 31, 2007 and 2006

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

Assets Limited as to Use - Assets limited as to use include designated assets set aside by the board of trustees for future capital improvement, over which the board retains control, and may, at its discretion, subsequently use for other purposes.

Accounts Receivable - Accounts receivable are recorded at stated amounts based on a unit rate for services provided to individuals qualified to receive services from the Facility. An allowance for doubtful accounts is established based on a specific assessment of all receivables that remain unpaid following normal collection periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

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 - Compensated absences are charged to operations when earned. Unused benefits are recorded as a current liability in the financial statements.

Resident Funds - The Facility maintains various bank accounts for deposits and disbursements for the residents' personal expenses. These funds are assets of the residents.

Proportionate Share Reimbursement Program - During the year ended December 31, 2006, the Facility participated in this program sponsored by the State of Michigan. Amounts received from this program were recorded to revenue in the year received.

Quality Assurance Assessment Program - The Facility's Medicaid revenue has been partially funded by a program called Quality Assurance Assessment Program (QAAP). The current QAAP program was approved by the federal government during 2006 and was made effective retroactive to October 1, 2005. During the year ended December 31, 2007, the Facility received Medicaid revenue related to QAAP totaling \$1,362,950. During the year ended December 31, 2006, the Facility received Medicaid revenues related to QAAP totaling \$1,648,965, of which \$325,149 related to the retroactive period of October 1, 2005 through December 31, 2005.

Marquette County Medical Care Facility

Notes to Financial Statements December 31, 2007 and 2006

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

During the year ended December 31, 2007, the Facility was assessed a provider tax totaling \$886,988. During the year ended December 31, 2006, the Facility was assessed a provider tax totaling \$1,010,664, of which \$199,890 related to the retroactive period of October 1, 2005 through December 31, 2005. This provider tax is based on the number of non-Medicare resident days of service provided during the years ended December 31, 2005 and 2004. During the year ended December 31, 2007, the State billed for the tax on a monthly basis. The December provider tax was paid prior to December 31, 2007. The State billed for the tax on a quarterly basis due on the fifth day following the end of a quarter for the year ended December 31, 2006. Therefore, approximately \$211,100 of provider tax was due and is included in accounts payable at December 31, 2006.

Classification of Net Assets - Net assets of the Facility are classified into two components. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation and reduced by the current balance of any outstanding borrowing used to finance the purchase or construction of those assets. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted.

Service Revenue - The Facility's principal activity is operating a long-term healthcare facility for the elderly. Revenue is derived from participation in the 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 the third-party payors, and make up a significant portion of revenue earned during each year as follows:

	Percent	
	2007	2006
Medicaid	84	78
Medicare	6	11

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.

Marquette County Medical Care Facility

Notes to Financial Statements December 31, 2007 and 2006

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

Medicaid reimburses the Facility for resident 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 fines, penalties, and exclusion from the Medicare and Medicaid programs.

Operating Revenues and Expenses - The Facility's statement of revenue, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, the Facility's principal activity. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs. Nonexchange revenues, including taxes, interest, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Interest expense is reported as a nonoperating expense.

Note 2 - Deposits and Investments

The Facility's deposits and investments are composed of the following:

	2007		2006	
	Cash and Cash Equivalents	Assets Limited as to Use	Cash and Cash Equivalents	Assets Limited as to Use
Deposits:				
County Treasurer	\$ 1,152,672	\$ 3,760,211	\$ 2,916,445	\$ 2,122,462
Bank	603,173	-	397,083	-
Total	<u>\$ 1,755,845</u>	<u>\$ 3,760,211</u>	<u>\$ 3,313,528</u>	<u>\$ 2,122,462</u>

These funds were under the control of the County Treasurer, who deposited these funds with a bank.

Marquette County Medical Care Facility

Notes to Financial Statements December 31, 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. A 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 deposits and investments are subject to several types of risks, including custodial credit risk of bank deposits and investments, interest rate risk, credit risk, and concentration of credit risk. It is impractical to determine the amount of risk associated with the Facility's funds as these funds are only a portion of the total County deposits.

Note 3 - Resident Accounts Receivable

The details of resident accounts receivable are set forth below:

	<u>2007</u>	<u>2006</u>
Resident accounts receivable	\$ 1,349,759	\$ 1,433,645
Uncollectible accounts	(100,000)	(100,000)
Medicaid interim payment receivable	<u>518,190</u>	<u>111,389</u>
Net resident accounts receivable	<u>\$ 1,767,949</u>	<u>\$ 1,445,034</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:

	<u>Percent</u>	
	<u>2007</u>	<u>2006</u>
Medicare	13	22
Medicaid	66	59
Other payors	<u>21</u>	<u>19</u>
Total	<u>100</u>	<u>100</u>

Marquette County Medical Care Facility

Notes to Financial Statements December 31, 2007 and 2006

Note 4 - Property and Equipment

Cost of property and equipment and related depreciable lives for December 31, 2007 are summarized below:

	2006	Additions	Transfers	Retirements	2007	Depreciable Life - Years
Land and land improvements	\$ 276,387	\$ -	\$ -	\$ -	\$ 276,387	10-25
Building	9,560,566	375,373	-	(299,143)	9,636,796	10-40
Moveable equipment	1,728,699	104,169	-	-	1,832,868	4-20
Total	11,565,652	479,542	-	(299,143)	11,746,051	
Less accumulated depreciation:						
Land and land improvements	252,624	8,173	-	-	260,797	
Building	5,318,206	349,977	-	(289,909)	5,378,274	
Equipment	1,319,524	98,857	-	-	1,418,381	
Total	6,890,354	457,007	-	(289,909)	7,057,452	
Net carrying amount	<u>\$ 4,675,298</u>	<u>\$ 22,535</u>	<u>\$ -</u>	<u>\$ (9,234)</u>	<u>\$ 4,688,599</u>	

Cost of capital assets and related depreciable lives for December 31, 2006 are summarized below:

	2005	Additions	Transfers	Retirements	2006	Depreciable Life - Years
Land and land improvements	\$ 276,387	\$ -	\$ -	\$ -	\$ 276,387	10-25
Building	9,497,655	62,911	-	-	9,560,566	10-40
Moveable equipment	1,585,007	143,692	-	-	1,728,699	4-20
Total	11,359,049	206,603	-	-	11,565,652	
Less accumulated depreciation:						
Land and land improvements	243,832	8,792	-	-	252,624	
Building	4,960,248	357,958	-	-	5,318,206	
Movable equipment	1,235,856	83,668	-	-	1,319,524	
Total	6,439,936	450,418	-	-	6,890,354	
Net carrying amount	<u>\$ 4,919,113</u>	<u>\$ (243,815)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,675,298</u>	

Marquette County Medical Care Facility

Notes to Financial Statements December 31, 2007 and 2006

Note 5 - Related Party

As discussed in Note 1, the Facility is related to the County of Marquette.

During the fiscal years ended December 31, 2007 and 2006, the County transferred \$300,000 to the Facility.

Maintenance of Effort (M.O.E.) is a County obligation to the State of Michigan. Every month, the State bills the County, at a per diem rate, for each Medicaid resident day at the Facility. Expenses relating to M.O.E. are not included in these financial statements as they are paid directly by the County.

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 Authority (the "Authority") 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 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.

Note 7 - Retirement Benefits

As discussed in Note 1, the Facility is a component unit of Marquette County. Marquette County, including the Facility, participates in the Michigan Municipal Employees' Retirement System (the "System"). The Michigan Municipal Employees' Retirement System is an agent multiple-employer defined benefit pension plan that covers all employees of the County. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. This information can be requested by writing to: Marquette County, County Building, 234 West Baraga Avenue, Marquette, MI 49855.

Marquette County Medical Care Facility

Notes to Financial Statements December 31, 2007 and 2006

Note 7 - Retirement Benefits (Continued)

The obligation to contribute to and maintain the System for these employees was established by negotiations with the County's competitive bargaining units and requires a contribution from the employee of 1.9 percent to 4.7 percent of annual compensation. The Facility's contribution requirement is actuarially determined and is equal to the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 29 years.

Annual Pension Cost - For year ended December 31, 2007, the Facility's annual pension cost of \$420,310 for the plan was equal to the Facility's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age actuarial normal cost method. Significant actuarial assumptions used include (a) a 8.0 investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 29 years.

Three-year Trend Information

Calendar Year Ended December 31:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Annual pension cost	\$ 420,310	\$ 438,767	\$ 323,618
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

Actuarial Date as of December 31:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Actuarial value of assets	\$ 9,249,140	\$ 8,313,786	\$ 7,548,075
Actuarial accrued liability (AAL) (entry age)	\$ 10,743,394	\$ 9,845,708	\$ 9,343,602
Unfunded AAL (UAAL)	\$ 1,494,254	\$ 1,531,922	\$ 1,795,527
Funded ratio	86 %	84 %	81 %
Covered payroll	\$ 5,750,378	\$ 5,171,333	\$ 5,649,799
UAAL as a percentage of covered payroll	26 %	30 %	32 %

Additional Information



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

We have audited the financial statements of Marquette County Medical Care Facility as of December 31, 2007 and 2006. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of net service revenue and operating expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

February 26, 2008

Marquette County Medical Care Facility

Schedule of Net Service Revenue

	Year Ended December 31	
	2007	2006
Skilled Nursing Services		
Net room revenue:		
Medicaid	\$ 10,394,160	\$ 9,842,595
Medicare	377,200	526,317
Private pay and other	948,060	1,208,850
Total net room revenue	11,719,420	11,577,762
Ancillary revenue:		
Pharmacy	105,862	119,595
Therapy services	330,036	610,429
Other ancillary services	137,586	156,664
Outpatient services	1,440	1,620
Total ancillary revenue	574,924	888,308
Total skilled nursing services revenue	12,294,344	12,466,070
Revenue deductions - Provision for contractual discounts	(2,424,454)	(2,430,865)
Bad debt expense	(34,933)	(50,778)
Net Service Revenue	\$ 9,834,957	\$ 9,984,427

Marquette County Medical Care Facility

Schedule of Operating Expenses

	Year Ended December 31			
	2007			2006
	Salaries	Other	Total	Total
Fringe benefits	\$ -	\$ 1,953,302	\$ 1,953,302	\$ 2,016,939
Administration	243,027	238,218	481,245	476,820
Plant operations	185,818	124,256	310,074	306,559
Utilities	-	367,567	367,567	361,802
Laundry	147,353	30,422	177,775	160,527
Housekeeping	334,586	17,247	351,833	337,867
Dietary	492,618	434,113	926,731	860,530
Medical records	-	8,400	8,400	25,326
Social services	80,466	-	80,466	74,316
Diversional therapy	203,374	12,523	215,897	206,533
Other ancillary services	12,711	42,996	55,707	57,421
Therapy services	198,742	163,102	361,844	553,220
Pharmacy	-	106,106	106,106	122,901
Nursing	4,040,637	314,797	4,355,434	4,264,678
Provider tax	-	886,988	886,988	1,010,664
Depreciation and amortization	-	457,007	457,007	450,418
2007 total	\$ 5,939,332	\$ 5,157,044	\$ 11,096,376	
2006 total	\$ 5,789,610	\$ 5,496,911		\$ 11,286,521



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February 26, 2008

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

We have audited the financial statements of Marquette County Medical Care Facility for the year ended December 31, 2007 and have issued our report thereon dated February 26, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 29, 2007, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Marquette County Medical Care Facility. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on February 22, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Marquette County Medical Care Facility are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2007.

We noted no transactions entered into by the Facility during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimated allowance for doubtful accounts.

Management's estimate of the allowance for doubtful accounts has not changed from last year. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We should inform those charged with governance of any serious difficulties encountered in dealing with management related to the performance of the audit. There were no serious difficulties encountered during the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following significant misstatement detected as a result of audit procedures was corrected by management. One entry was made to correct the provider tax expense and liability to actual.

February 26, 2008

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated February 26, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Facility's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Facility's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

This information is intended solely for the use of the Department of Human Services Board and the management of Marquette County Medical Care Facility and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



J. Eric Conway, CPA, FHFMA
Partner