

CORNING HEALTHCARE DISTRICT
TEHAMA COUNTY, CALIFORNIA
AUDIT REPORT
TOGETHER WITH AUDITOR'S OPINION
FOR THE YEAR ENDED
June 30, 2013

Corning Healthcare District
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ROY R. SEILER

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Corning Healthcare District
Tehama County, California

I have audited the accompanying financial statements of the Corning Healthcare District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The District has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

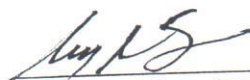
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenses and changes in net assets, budget and actual comparison is presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 3, 2013, on my consideration of the District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 my audit.

September 3, 2013



Roy R. Seiler, CPA

ROY R. SEILER
CERTIFIED PUBLIC ACCOUNTANT

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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*

Board of Directors
Corning Healthcare District
Tehama County, California

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the general purpose financial statements of the of the Corning Healthcare District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued my report thereon dated September 3, 2013

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I

consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 3, 2013



Roy R. Seiler, CPA

EXHIBIT ONE

CORNING HEALTHCARE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2013

ASSETS	
CURRENT ASSETS	
Cash on Hand	100
Cash in Bank	231,630
	<hr/>
Total Cash and Cash Equivalents	231,730
Prepaid Expenses	8,767
Rents and Other Receivables	50,000
	<hr/>
Total Current Assets	290,497
	<hr/>
NON CURRENT ASSETS	
Fixed Assets:	
Land and Improvements	662,670
Buildings and Improvements	3,802,510
Equipment	9,551
Less: Accumulated Depreciation	(744,130)
	<hr/>
Total Fixed Assets	3,730,601
	<hr/>
Other Assets	
Investments (Certificates of Deposit)	216,266
Investments (Certificates of Deposit), Reserved for Debt Service	90,000
	<hr/>
TOTAL ASSETS	4,327,364
	<hr/> <hr/>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	5,595
Accrued Interest Payable	25,553
Accrued Payroll	3,862
Payroll Tax Payable	2,603
Current Portion of Long Term Debt	17,000
	<hr/>
Total Current Liabilities	54,613
	<hr/>
LONG TERM LIABILITIES	
Loan Payable, USDA	1,443,044
Less: Current Portion of Long Term Debt	(17,000)
	<hr/>
Total Liabilities	1,480,657
	<hr/>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,249,944
Reserve for Debt Service	90,000
Unrestricted	506,763
	<hr/>
Total Net Assets	2,846,707
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	4,327,364
	<hr/> <hr/>

The notes to financial statements are an integral part of this statement.

EXHIBIT TWO

CORNING HEALTHCARE DISTRICT
STATEMENT OF REVENUES , EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

Operating Revenues	
Rental Income	190,392
Other	

Total Operating Revenues	190,392

Operating Expenses	
Wages and Related Expenses	101,648
Depreciation	99,691
Employee Benefits	37,325
Grants Provided	93,000
Insurance	13,207
Professional Services	10,910
Repairs and Maintenance	21,858
Utilities	33,936
Other Operating Expenses	83,529

Total Operating Expenses	495,104

Operating Income (Loss)	(304,712)

Non Operating Revenues (Expenses)	
Interest Income	1,251
Property Tax Revenues	257,752
Other Income	131
Interest Expense	(61,410)

Total Non Operating Revenues (Expenses)	197,724

Change in Net Assets	(106,988)

Net Assets, July 1,	2,953,695
Prior Period Adjustments	

Net Assets, July 1, As Adjusted	2,953,695

Net Assets, June 30,	2,846,707
	=====

The notes to financial statements are an integral part of this statement.

CORNING HEALTHCARE DISTRICT
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Rents	190,392
Cash Received, Other	(101,648)
Cash Payments to Employees and Related Benefits	(21,858)
Cash Payments for Repairs and Maintenance	(46,120)
Cash Payments for Utilities and Insurance	(222,382)
Cash Payments for Other Expenses	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	(201,616)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Income	1,251
Investments in Certificates of Deposits and Investment Funds	(306,266)
Redemptions in Certificates of Deposits	303,627
NET CASH PROVIDED BY INVESTING ACTIVITIES	-----
	(1,388)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of Fixed Assets	(1,231)
Loan Payments, USDA	(15,975)
Interest paid on Long Term Debt	(61,410)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-----
	(78,616)

CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:

Property Tax Receipts	257,752
Other	131
Receivables (non rent) from Tenants	-----
NET CASH PROVIDED (USED) BY NON CAPITAL FINANCING ACTIVITIES	257,883
INCREASE IN CASH AND CASH EQUIVALENTS	-----
	(23,737)

Cash and Cash Equivalents, Beginning of Year	255,467
Cash and Cash Equivalents, End of Year	-----
	231,730
	=====

CORNING HEALTHCARE DISTRICT
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2013

**Reconciliation of Operating Income (Loss) to Net Cash Provided
(Used) by Operating Activities:**

Operating Income/(Loss)	(304,712)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:	
Depreciation	99,691
Changes in Assets and Liabilities:	
Prepaid Expenses	1,023
Accounts and Other Payables	2,382
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(201,616)</u>

The notes to financial statements are an integral part of this statement.

**CORNING HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corning Healthcare District (District) complies with Generally Accepted Accounting Principles (GAAP) as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide explanations, including required disclosures, of the District's financial activities for the fiscal year ended June 30, 2013.

A. ORGANIZATION

The District was formed in Tehama County in 1946 to provide and promote public health and general welfare under the terms of the Local Hospital District Law. In order to attain such objectives, the District owned and operated the Corning Memorial Hospital (the Hospital) until 1989 when the District ceased operations. The District's current operations consist of leasing its facilities to medical care providers.

On December 27, 1989, the District filed a voluntary municipality petition of relief under Chapter 9 of the United States Bankruptcy Code. Under such a filing, the District was required to file a plan for adjustment and repayment of debt with the Bankruptcy Court. The plan was confirmed by the Bankruptcy Court on June 14, 1991. In February 1994, all remaining petition debt was paid in full. In May 1995, a final degree was entered and the Bankruptcy case was closed. As a part of the plan, the District began conducted surveys, held public meetings and conducted feasibility studies to determine the future role of the District. As a result of those actions, the District expanded the existing medical facilities.

B. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The District's records are maintained on the accrual basis of accounting. It's revenues are recognized when earned and expenses are recognized when they are incurred. All assets and liabilities (whether current or non-current) associated with its activities are reported in its balance sheet.

**CORNING HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

Note 1-Continued

Operating revenues consist of those directly related to the functions of the district. Other types of revenues, such as property tax collections and interest income, are reported as non operating revenues.

The records of the District comply with the uniform system of accounts as prescribed by the Controller's Office of the State of California.

C. **FIXED ASSETS**

Additions to fixed assets are recorded at cost, or if contributed property, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets are recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

D. **METHOD OF DEPRECIATION**

The District provides for depreciation of fixed assets using the straight line method over estimated useful lives of five to forty years.

E. **CAPITALIZED INTEREST**

The District capitalizes net interest costs and interest earned as part of the cost of constructing various projects when material.

F. **USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

G. **BUDGET AND BUDGETING**

Budget integration is employed as a management control device. Budgets are formally adopted by the Board in June and takes affect the following July 1. Budgeted amounts, as presented in Schedule One, are as approved by the Board.

**CORNING HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

Note 1-Continued

H. Employee Benefits and Compensating Time Off (CTO)

The District has a "Health Savings Account" program which eligible employees are allowed to participate. The District paid the full contribution to this plan for eligible employees. The district provides, to eligible employee, leave in lieu of additional compensation for attendance of meetings and similar items; annual vacation; and annual sick leave. Liabilities at year end have not been determined but are not considered material to the financial statements taken as a whole.

NOTE 2 CASH AND INVESTMENTS

The District considers highly liquid investments with a maturity of three months or less to be cash equivalents.

Cash and Cash Equivalents:

Cash on Hand	\$ 100
Premiere West Bank	<u>231,630</u>
Totals	<u>\$231,730</u>

Investments:

Cash Account and Certificates of Deposits Through Edward Jones Company	\$ 306,266
Total Deposits	<u>\$ 537,996</u>

Depository Account

The district had the following depository accounts. All deposits are carried at cost plus accrued interest. The District has established a formal investment policy. As a matter of policy, the District limits its cash and investments to FDIC insured banks which maintain required collateral.

Insured (FDIC)	\$ 461,630
Insured (SIPC)	76,266
Uninsured	<u>100</u>
Total Deposits	<u>\$ 537,996</u>

Activity of Certificates of Deposits:

Certificates Held, July 1, 2012	\$ 303,627
Certificates Matured/Redeemed	< 303,627 >
Certificates Renewed and New Deposits And Earned Interest	<u>230,000</u>
Certificates Held, June 30, 2013	<u>\$ 230,000</u>

**CORNING HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

Note 2, Continued:

Collateral for Deposits

Under the provisions of the California Government Code, California banks are required to secure a District's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110 percent of the District's deposits. It is the District's policy not to waive the collateral requirements.

California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150 percent of a District's total deposits. It is the District's policy to accept this form of collateral.

Safekeeping Arrangements of Investments:

Under Section 53600 of the California Government Code, as amended, the collateral underlying a District's investments must be "delivered" to the District. Under California Senate Bill No 2115, passed by the California Legislature in 1986, when a bank is used as third-party custodial agent, the bank is permitted to maintain the underlying securities in either a "Trust Department" or a separate "Safekeeping Department". Substantially all of the District's investments are maintained in the "Safekeeping Departments" of applicable banks.

NOTE 3 FIXED ASSETS (PROPERTY, PLANT AND EQUIPMENT)

Fixed Assets as of June 30, 2013 consisted of the following:

Land and Land Improvements	\$ 662,670
Buildings and Building Improvements	3,802,510
Equipment, Furniture and Fixtures	<u>9,551</u>
Totals	\$4,474,731
Less: Accumulated Depreciation	< <u>744,130</u> >
Net Fixed Assets	<u>\$3,730,601</u>

Following is a summary of activities in fixed assets for the year ended June 30, 2013:

Total Fixed Assets as of July 1:	\$4,473,500
Additions	1,231
Deletions	< <u>-0-</u> >
Total Fixed Assets as of June 30:	<u>\$4,474,731</u>

**CORNING HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 4 PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of the first Monday in March. Property taxes are payable in two installments on December 10 and April 10. The District collects its share of property taxes through the County of Tehama. The District relies on the competency of the County in determining its share of the overall property tax collections.

NOTE 5 JOINT VENTURE and CONTINGENT LIABILITIES

The District is a member of the Special District Risk Management Authority, Public Agency Risk Sharing Authority of California (Authority) for liability insurance purposes. The following joint venture disclosures are made in compliance with GASB Code Section J50.103:

Description of Joint Powers Authority

The Authority is comprised of California governmental entities and is organized under a joint powers agreement pursuant to the California Government Code. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess liability coverage.

General Liability Insurance: Annual deposits are paid by member entities and are adjusted retrospectively to cover costs. Specific coverage includes: comprehensive and general liability, personal injury, contractual liability, errors and omissions, real property and auto liability.

Workers' Compensation: Is a legal obligation to pay benefits to employees for injuries or illness that arise out of and in the course of employment.

Claims and Judgments

The District accounts for material liability claims and judgments in accordance with GASB Code Section C50.110. When it is probable that a claim liability has been incurred at year end, and the amount of the loss can be reasonably estimated, the District records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2013, the District, in the opinion of the District's Attorney, had no material claims which would require loss provision in the financial statements. Small dollar claims and judgments are recorded as expenditures when paid.

The District is potentially exposed to various risks and losses related to torts, theft, damage and destruction, injury or natural disasters. In the opinion of the District management, the potential loss from claims and lawsuits will not be significant to the District's financial statements.

**CORNING HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 6 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The District does not budget for depreciation. Accordingly, expenditures exceeded budgeted appropriations in this area.

NOTE 7 ECONOMIC DEPENDENCY

The District has two major sources of income, property taxes and rental income. Rental income is currently limited to a relative few tenants.

NOTE 8 NOTE RECEIVABLE- Corning Medical Associates

On January 17, 2012, the District entered into an agreement with Corning Medical Associates, Inc. (CMA), where the District agreed to loan CMA up to \$150,000. During the period the credit was available, advances on this loan were timely paid and had the Note had a balance due of \$50,000 at June 30, 2012.

During the 2012/2013 fiscal year, extensions on the Note's due date were granted to CMA. The Note continued to have a balance due of \$50,000 at June 30, 2013.

NOTE 9 LOANS PAYABLE

This district has upgraded and expanded its facilities. Actual construction began during the 2009-10 fiscal year and was completed during 2010-11. As part of the construction project permanent financing ,with a USDA loan in the amount of \$1,492,300, has been obtained. Proceeds from the "Community Facilities Loan" were advanced to the District in December of 2009, and held by the USDA, and advanced to the District on an "as required" basis. The loan is secured by District assets, carries an annual interest rate of 4.25 percent, and matures August 1, 2049. The District has a reserve requirement equal to approximately one year's debt service and must fully fund that reserve by year ten. The district has met its debt service reserve requirement.

Changes in Long-Term Debt were as follows:

Long-Term Debt, July 1,	\$1,459,019
Additions	-0-
Deletions	< <u>15,975</u> >
Long-Term Debt, June 30,	<u>\$1,443,044</u>

**CORNING HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

Note 9, Continued:

Future maturities of Long-Term Debt were as follows:

	Principal	Interest	Total
2013-14	17,000	61,701	78,701
2014-15	18,000	60,958	78,958
2015-16	18,000	60,192	78,192
2015-21	106,000	288,211	394,211
2021-26	130,000	263,242	393,242
2026-31	159,000	232,748	391,748
2031-36	193,000	195,329	388,329
2036-41	240,000	149,237	389,237
2041-46	297,000	92,457	389,457
2046-49	<u>265,044</u>	<u>25,902</u>	<u>290,921</u>
Totals	<u>\$1,459,044</u>	<u>\$1,429,977</u>	<u>\$2,889,021</u>

NOTE 10 SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date the financial statements were issued, September 3, 2013, and determined that no events have occurred that meet the requirements for disclosure set forth by FASB Statement number 165.

SCHEDULE ONE

CORNING HEALTHCARE DISTRICT
 SCHEDULE OF REVENUES , EXPENSES AND CHANGES IN NET ASSETS
 BUDGET TO ACTUAL COMPARISON
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <Unfavorable>
Operating Revenues			
Rental Income	186,285	190,392	4,107
Other			-
Total Operating Revenues	<u>186,285</u>	<u>190,392</u>	<u>4,107</u>
Operating Expenses			
Wages and Related Expenses	96,791	101,648	(4,857)
Depreciation		99,691	(99,691)
Employee Benefits	33,854	37,325	(3,471)
Grants Provided	98,000	93,000	5,000
Insurance	8,531	13,207	(4,676)
Professional Services	13,100	10,910	2,190
Repairs and Maintenance	0	21,858	(21,858)
Utilities	31,324	33,936	(2,612)
Other Operating Expenses	109,070	83,529	25,541
Total Operating Expenses	<u>390,670</u>	<u>495,104</u>	<u>(104,434)</u>
Operating Income (Loss)	<u>(204,385)</u>	<u>(304,712)</u>	<u>(100,327)</u>
Non Operating Revenues (Expenses)			
Interest Income	2,568	1,251	(1,317)
Property Tax Revenues	250,040	257,752	7,712
Other Income		131	131
Interest on LTD	(72,000)	(61,410)	10,590
Other Expense	-	-	-
Total Non Operating Revenues (Expenses)	<u>180,608</u>	<u>197,724</u>	<u>17,116</u>
Change in Net Assets	<u>(23,777)</u>	<u>(106,988)</u>	<u>(83,211)</u>

The notes to financial statements are an integral part of this statement.

Corning HealthCare District
Schedule of Findings and Questioned Costs
June 30, 2013

SUMMARY OF AUDITOR'S RESULTS:

FINANCIAL STATEMENTS

1. I issued an unqualified opinion was issued.
2. I found one significant deficiency in the design or operation of internal control over financial reporting that I consider a reportable condition.
3. I noted no instances of noncompliance that were material to the financial statements of the District.

SUMMARY OF FEDERAL FINDINGS:

Finding No. One (Current period and Prior Period):

Finding: Reliance upon Auditor for Financial Statement Preparation and Footnote Disclosures

Condition: Management relies on the auditor to determine the proper presentation of financial statements and related footnote disclosures.

Criteria: Statement of Auditing Standards states that the auditor may not be of the Organization's internal control system; specifically someone from the Organization must be knowledgeable enough in generally accepted accounting principles to know if a misstatement has occurred in the financial statements including the notes to the financial statements.

Cause: The Organization does not have either an employee experienced in the generally accepted accounting principles or an accounting firm engaged to assure compliance with generally accepted auditing principles.

Effect: Undetermined.

Recommendation: We recommend that management consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent Certified Public Accounting firm to compile full disclosure financial statements.

Management's Response: Management is provided with a draft copy of the financial statements and related notes for review. Management has reviewed the draft copy with the auditor and is able to accept responsibility for them. Management has determined there is no additional cost-benefit to hiring an accountant for additional review the financial statements for compliance with Accounting Principles Generally Accepted in the United States of America prior to the annual audit of the financial statements.