

**JEFFERSON COUNTY NURSING HOME**

**(A component unit of Jefferson County, Tennessee)**

**FINANCIAL STATEMENTS**

**Years ended June 30, 2009 and 2008  
with  
Independent Auditors' Report**

**JEFFERSON COUNTY NURSING HOME  
TABLE OF CONTENTS**

<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Management's Discussion and Analysis	3
<b>AUDITED FINANCIAL STATEMENTS</b>	
Statements of Net Assets	10
Statements of Revenues and Expenses and Changes in Fund Net Assets	12
Statements of Cash Flows	13
Notes to Financial Statements	15
<b>SUPPLEMENTARY INFORMATION</b>	
Nursing Home Officials	24
Schedule of Operating Expenses	25
Nursing Home Statistics	29
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	30
<b>SCHEDULE OF AUDIT FINDINGS NOT CORRECTED</b>	32

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Jefferson County Nursing Home  
Dandridge, Tennessee

We have audited the accompanying financial statements of Jefferson County Nursing Home, a component unit of Jefferson County, Tennessee, as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of Jefferson County Nursing Home'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Jefferson County Nursing Home and do not purport to, and do not, present fairly the financial position of Jefferson County, Tennessee as of June 30, 2009 and 2008 and the changes in its financial position and its cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson County Nursing Home of Jefferson County, Tennessee, as of June 30, 2009 and 2008, and the changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2010 on our consideration of Jefferson County Nursing Home's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Jefferson County Nursing Home. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary information has been subjected to the auditing procedures applied in the audit 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.

*McFarland and Gann, P.C.*

McFarland and Gann, P.C.  
January 11, 2010

**JEFFERSON COUNTY NURSING HOME  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Year Ended June 30, 2009**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Jefferson County Nursing Home's financial performance provides an overview of the nursing home's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the nursing home's financial statements, which begin on page 10.

**FINANCIAL HIGHLIGHTS**

- Jefferson County Nursing Home's net assets increased by \$417,609, or 18%, for the fiscal year ended June 30, 2009.
- During the fiscal year ended June 30, 2009, the nursing home had operating revenues that exceeded the \$8,551,383 in operating expenses by \$403,244 (nonoperating revenues and expenses excluded), as compared to the operating income in the preceding year ended June 30, 2008 in the amount of \$325,946.
- The nursing home's operating revenues increased by 5% for the fiscal year ended June 30, 2009; its operating expenses also increased by 5%.
- The nursing home continued with its "Greenhouse" construction for the addition to the facility which will add 25 more beds to the nursing home.

**USING THESE ANNUAL FINANCIAL STATEMENTS**

Jefferson County Nursing Home is considered a "component unit" of Jefferson County, Tennessee. Component units are separate legal entities; however, Jefferson County is financially accountable for the nursing home. Therefore, Jefferson County reports financial information regarding the nursing home in its annual report.

The nursing home is an enterprise fund, operating much like a private-sector company and is considered a business-type activity of Jefferson County. The nursing home charges residents for the services it provides.

This annual report of the Jefferson County Nursing Home consists of a series of financial statements. The Statements of Net Assets, the Statements of Revenues and Expenses and Changes in Fund Net Assets, and the Statements of Cash Flows (on pages 10-14) provide information about the nursing home's operations. These statements include all assets and liabilities of the nursing home using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the nursing home's revenues and expenses for the year ended June 30, 2009 are taken into account regardless of when cash is received or paid.

**JEFFERSON COUNTY NURSING HOME  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Year Ended June 30, 2009**

The Statements of Net Assets and the Statements of Revenues and Expenses and Changes in Fund Net Assets report the nursing home's net assets and changes in them. The term "net assets" is the difference between assets and liabilities as of a certain point in time. The financial health, or *financial position*, of the nursing home can be measured, in part by the amount of its net assets. Over time, increases or decreases in the nursing home's net assets are one indicator of whether its financial health is improving or deteriorating. Of course, there are other non-financial factors in assessing the overall health of the nursing home, such as quality of patient care and the base of potential nursing home residents in the area.

**NURSING HOME DETAILS**

The nursing home's operations produced an income of \$403,244; after adding nonoperating revenues and expenses, the total increase in the nursing home's net assets for the year ended June 30, 2009 was \$417,609. The unrestricted net assets – the part of the net assets that can be used to finance day-to-day operations without constraints established by legal requirements - increased from \$873,926 at June 30, 2008 to \$925,160 at June 30, 2009, an increase of \$51,234. Operating revenues of the nursing home increased during 2009. The Medicaid Level I rate for the year ended June 30, 2009 was \$152.92; a 5% increase from the \$146.00 rate in effect for the previous year. The Medicaid portion of chargeable days for the nursing home for the year ended June 30, 2009 was 31,129 out of a total of 48,862, or 64%. Medicaid revenue continues to constitute a significant portion of the nursing home revenue, and the Medicaid rate increase created an increase in revenue for the year ended June 30, 2009.

Over the past several years, there has been an increase in the availability of assisted living facilities which has caused, in part, the acuity of patients entering the nursing home to decrease. This increased frailty causes the residents to be more dependent on nursing home staff to help them with the basic activities of daily living and to take care of their progressively complicated medical needs. Residents rely on the nursing home staff to keep them clean, fed and safe. Perhaps more importantly, the work of our nursing home staff requires more than just completing tasks. Jefferson County Nursing Home strives to maintain a high quality of care, recognizing that the nursing home is "home" for our residents. Our staff must have time to just talk with and build relationships with residents in order to help residents develop a good quality of life. Quality care provided by CNA's and professional nurses in our nursing home takes time and costs money. In order to maintain staffing levels with quality personnel, Jefferson County Nursing Home has to provide comparable compensation and benefit packages with other nursing homes and hospitals.

**JEFFERSON COUNTY NURSING HOME  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Year Ended June 30, 2009**

The costs associated with maintaining staffing and providing benefits has continued to rise. Over the long run, adequate staffing can actually prevent additional costs; there is a correlation between low staffing levels and the likelihood of quality problems, including avoidable hospitalizations, deteriorating activities of daily living and increased incidence of pressure sores, weight loss and poor resident hygiene. There is also some cost savings to be realized thru adequate staffing by reducing expenses related to staff injuries, and frequent recruiting and training.

Jefferson County Nursing Home's percentage of occupancy was 99.16% for the year ended June 30, 2009, an increase from the 99.11% occupancy percentage for the year ended June 30, 2008. As stated earlier, because of the lower acuity level for the majority of nursing home residents, the residents' life spans after entering the nursing home are not as long as in the past, which can cause an increase in turn-around times on filling available beds, which has the tendency to increase empty bed days. Empty bed days cause decreased occupancy rates and revenues. Jefferson County Nursing Home has traditionally had a waiting list and continues to be able to fill available beds as they become available.

To supplement revenue and to provide additional services to the citizens of Jefferson County, the nursing home began participation in the Medicare program by admitting residents into skilled nursing care in May of 2004. Several factors contributed to the decision to participate in the Medicare program. One reason was due to residents being hospitalized for an acute episode of illness and the resident's physician requesting that they be discharged to a skilled care facility. This required that the resident be moved to a different nursing home with which the resident and their families were unfamiliar. Residents requiring skilled care demand more specialized services. Under Level I reimbursement (intermediate care) guidelines, nursing home facilities are not reimbursed adequately enough to recover all of these costs. Furthermore, from a financial perspective, the costs associated with the operation of this facility have continued to rise. One such cost has been the increased wage expenses associated with maintaining quality personnel at this facility. The Medicare program created a new revenue stream, which better allows the nursing home to successfully meet the above needs and challenges and offset rising operational costs. Finally, with the demands of the consumers becoming more diverse and to be adequately positioned for future trends, offering a continuum of services is the most prudent strategy for long-term financial stability.

Participation in the Medicaid and Medicare programs requires the nursing home's commitment to following all the rules and regulations promulgated by these government programs. These regulations are ever changing and requires the nursing home personnel to continue to learn through educational programs and seminars as well as on the job experience. Jefferson County Nursing Home's procedures and collections with respect to the Medicaid/Medicare programs have improved significantly over the past several years.

**JEFFERSON COUNTY NURSING HOME  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Year Ended June 30, 2009**

Jefferson County Nursing Home has a significant number of residents who qualify for Medicaid assistance (almost 77% of the nursing home's residents are Medicaid patients). The Medicaid program reimburses the nursing home based on its operating costs which are reported on its annual cost report and is submitted to the State of Tennessee Comptroller's Office. The nursing home is limited as to the amount that it can charge Level 1 Medicaid patients for their rooms on a daily basis (the per-diem amount). As discussed above, the nursing home received an increase in their per-diem amount to \$152.92 for Medicaid level 1 patients effective July 1, 2008, which was in effect until the end of the fiscal year at June 30, 2009. The per-diem rates for private pay residents in private rooms increased to \$156.00 (previously \$151.50) effective October 1, 2008 and then to \$158.00 effective January 1, 2009 through the end of the fiscal year. The per-diem rate for a private pay resident in a semi-private room increased to \$151.00 effective October 1, 2008 (previously \$146.50) and increased to \$153.00 effective January 1, 2009 through the end of the fiscal year.

Operating costs continued to rise for the year ended June 30, 2009; the largest increases were seen in employee costs, including salaries, health insurance and retirement. These increases were anticipated due to the nursing home's operations being labor intensive, and considering the struggle to keep well-trained competent nursing personnel to sufficiently staff the nursing home. Salaries were up approximately \$185,000 or 5% for the year ended June 30, 2009. The increase was mainly due to wage increases during the year and additional personnel in anticipation of the new addition. The nursing home's expense for funding retirement for employees increased by approximately \$24,000 or 5%, and their expense for providing health insurance coverage for their employees increased by \$73,919 or 10%. The nursing home administration feels that maintaining a quality level of personnel at competitive wage rates and rewarding job performance is a key factor to the nursing home's success in providing the best quality of life that it can for its residents (see discussion above).

**JEFFERSON COUNTY NURSING HOME  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Year Ended June 30, 2009**

The following tables summarize the nursing home's Net Assets (Table 1) and Changes in Net Assets (Table 2) for the years ended June 30, 2009 and 2008.

**Table 1**  
**Net Assets**

	2009	2008
Current and other assets	\$ 9,064,310	\$ 9,276,461
Capital assets	2,293,135	1,669,165
Total assets	<u>11,357,445</u>	<u>10,945,626</u>
Long-term debt outstanding	(7,784,086)	(7,938,307)
Other liabilities	(814,453)	(666,022)
Total liabilities	<u>(8,598,539)</u>	<u>(8,604,329)</u>
Net assets:		
Invested in capital assets, net of related debt	1,817,131	1,400,005
Restricted	16,615	67,366
Unrestricted	925,160	873,926
Total Net Assets	<u>\$ 2,758,906</u>	<u>\$ 2,341,297</u>

**Table 2**  
**Changes in Net Assets**

	2009	2008
Revenue:		
Routine services	\$ 6,563,638	\$ 6,388,585
Medicare - Part A revenue	2,069,049	1,834,041
Medicare - Part B ancillaries	319,189	261,989
Ancillaries - other payers	10,829	-
Other	51,065	38,116
Less: bad debts	(38,357)	(6,550)
Total Revenue	<u>8,975,413</u>	<u>8,516,181</u>
Expenses:		
General and administrative	1,996,136	1,975,263
Bed license tax	300,375	300,375
Nursing	3,054,729	2,919,399
Activities and social services	197,334	206,550
Dietary	944,669	855,613
Housekeeping	391,897	377,987
Laundry and linen	60,381	34,778
Plant operation and maintenance	445,208	439,336
Medicare expenses	748,558	654,421
Drugs	296,802	286,846
Depreciation	115,294	117,516
Nonoperating expenses	6,421	5,669
Total Expenses	<u>8,557,804</u>	<u>8,173,753</u>
Increase (Decrease) in Net Assets	<u>\$ 417,609</u>	<u>\$ 342,428</u>

**JEFFERSON COUNTY NURSING HOME  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Year Ended June 30, 2009**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2009, Jefferson County Nursing Home had \$2,293,135 invested in net capital assets, the majority of which was invested in buildings (\$1,172,042) and in construction in progress (\$718,972.35). The remaining capital assets consisted of land, paving, and equipment. Net capital assets increased by \$623,970 during the year ended June 30, 2009. The increase was net of current year additions and current year depreciation. Capital asset additions during the year ended June 30, 2009 primarily was from the cost of new construction and new high/low beds. A complete asset addition listing is included in Table 4 below.

The following tables summarize the nursing home's capital assets for the years ended June 30, 2009 and 2008 (Table 3) and current year capital asset additions (Table 4).

**Table 3**  
Capital Assets at June 30, (net of depreciation)

	<u>2008</u>	<u>2008</u>
Land	\$ 7,181	\$ 7,181
Paving	1,904	4,086
Buildings	1,172,042	1,230,962
Construction in progress	718,972	191,201
Equipment	<u>393,036</u>	<u>235,735</u>
Totals	<u>\$ 2,293,135</u>	<u>\$ 1,669,165</u>

**Table 4**  
Current Year Additions

Construction in Progress	\$ 527,771	\$ 184,234
File Shelves	2,792	-
High/Low Beds	165,890	-
Analog Ports	2,925	-
Time Clock Upgrade	3,563	-
Telephone System Upgrade	36,324	-
Clothes Washers	-	21,350
Copier	-	4,444
Water Heater	<u>-</u>	<u>15,117</u>
Total Additions	<u>\$ 739,265</u>	<u>\$ 225,145</u>

**JEFFERSON COUNTY NURSING HOME  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Year Ended June 30, 2009**

**Debt**

At June 30, 2009, the nursing home had \$7,860,000 payable in outstanding bonds plus unamortized bond premium paid in the amount of \$78,307. The bonds were issued on December 2, 2007; the purpose of the bond issue is to fund the addition to the nursing home. The bonds are general obligation improvement and refunding bonds of Jefferson County; however, the nursing home will be responsible for paying all principal and interest due on the bonds. More extensive information concerning the bond issue can be found in Note F of the financial statements.

The nursing home has other current liabilities due at June 30, 2009, including normal accounts payable, salaries payable and vacation leave payable.

**ECONOMIC FACTORS**

Jefferson County Nursing Home received a Medicaid increase effective July 1, 2009 which raised the per-diem rate for Medicaid Level 1 patients to \$153.89. Management of Jefferson County Nursing Home raised the semi-private and private per-diem rates to \$155.00 and 160.00, respectively, effective November 1, 2009.

**SUBSEQUENT EVENTS**

Jefferson County Nursing Home is continuing to work towards the completion of an expansion of the nursing home facility through construction of three "green-house" units, each to house 10 residents in self-contained units providing full nursing home services. Construction is scheduled to be complete in the spring of 2010.

The nursing home management believes the addition is necessary to serve the residents of Jefferson County now and into the future, demonstrated by the fact that the nursing home consistently has prospective residents on their waiting list.

**CONTACTING THE NURSING HOME'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens, taxpayers, patients and their families, and creditors with a general overview of the nursing home's finances and to show the nursing home's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jefferson County Nursing Home's business office at 914 Industrial Park Road, Dandridge, Tennessee 37725.

**JEFFERSON COUNTY NURSING HOME**  
**STATEMENTS OF NET ASSETS**  
**Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 547,253	\$ 517,322
Certificates of deposit	117,462	114,121
Accrued interest receivable	1,066	216
Accounts receivable (net of allowance for doubtful accounts)	668,361	501,994
Inventory	25,038	25,538
Prepaid expense	<u>10,400</u>	<u>7,786</u>
Total current assets	1,369,580	1,166,977
Noncurrent Assets		
Restricted Assets		
Restricted cash - scholarships for employees	16,615	15,899
Restricted investments - bond proceeds	<u>7,490,415</u>	<u>7,899,465</u>
Total Restricted Assets	7,507,030	7,915,364
Capital Assets		
Land	7,181	7,181
Paving	46,651	46,651
Buildings	3,141,956	3,141,956
Construction in progress	718,972	191,201
Equipment	<u>1,378,595</u>	<u>1,167,102</u>
Total capital assets	5,293,355	4,554,091
Accumulated depreciation	<u>(3,000,220)</u>	<u>(2,884,926)</u>
Net capital assets	2,293,135	1,669,165
Other Assets		
Land held for investment	4,700	4,700
Deferred charges - bond issue costs	<u>183,000</u>	<u>189,420</u>
Total Other Assets	<u>187,700</u>	<u>194,120</u>
Total noncurrent assets	<u>9,987,865</u>	<u>9,778,649</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 11,357,445</u></u>	<u><u>\$ 10,945,626</u></u>

See notes to financial statements.

**JEFFERSON COUNTY NURSING HOME  
STATEMENTS OF NET ASSETS  
Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Current liabilities payable from current assets		
Accounts payable	\$ 215,536	\$ 236,096
Construction payables	134,626	-
Salaries payable	96,625	83,283
Vacation leave payable	121,228	115,010
Accrued payroll taxes	14,148	8,321
Other accrued liabilities	569	-
Employee retirement payable	49,387	44,461
Accrued interest payable	28,113	28,572
Current portion of long-term debt	<u>154,221</u>	<u>150,279</u>
Total current liabilities payable from current assets	814,453	666,022
<b>Noncurrent Liabilities</b>		
Long-term debt (less current portion)	<u>7,784,086</u>	<u>7,938,307</u>
<b>Total Liabilities</b>	<b>8,598,539</b>	<b>8,604,329</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,817,131	1,400,005
Restricted	16,615	67,366
Unrestricted	<u>925,160</u>	<u>873,926</u>
<b>Total Net Assets</b>	<u>2,758,906</u>	<u>2,341,297</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 11,357,445</u></b>	<b><u>\$ 10,945,626</u></b>

See notes to financial statements.

**JEFFERSON COUNTY NURSING HOME**  
**STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND NET ASSETS**  
**Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Operating Revenue		
Routine services - private ICF	\$ 1,556,389	\$ 1,553,434
Routine services - Medicaid ICF	4,714,577	4,504,002
Routine services - Medicaid SNF	45,613	32,029
Routine services - Hospice ICF	164,389	195,457
Routine services - commercial insurance/HMO	82,670	103,663
Medicare - Part A revenue	2,069,049	1,834,041
Medicare - Part B ancillaries	319,189	261,989
Ancillaries - hospice/commercial insurance/HMO	10,829	-
Prior period Medicaid/Medicare adjustments	12,897	-
Bad debts	(38,357)	(6,550)
Employee and visitor meals	14,181	12,605
Other income	3,201	3,360
	<u>8,954,627</u>	<u>8,494,030</u>
Total Operating Revenue		
Operating Expenses		
General and administrative	1,996,136	1,975,263
Bed license tax	300,375	300,375
Nursing	3,054,729	2,919,399
Activities	93,371	91,059
Social Services	103,963	115,491
Dietary	944,669	855,613
Housekeeping	391,897	377,987
Laundry and linen	60,381	34,778
Plant operation and maintenance	445,208	439,336
Ancillary services expenses	748,558	654,421
Drugs	296,802	286,846
Depreciation	115,294	117,516
	<u>8,551,383</u>	<u>8,168,084</u>
Total Operating Expenses		
Income from Operations	403,244	325,946
Nonoperating Revenues (Expenses)		
Interest income		
CDs and interest bearing accounts	9,286	16,651
Bond premium amortization	10,279	4,045
Donations - unrestricted	1,221	1,455
Bond interest - deferred charges amortization	(6,421)	(3,211)
Loss on fixed asset disposals	-	(2,458)
	<u>14,365</u>	<u>16,482</u>
Total Nonoperating Revenues (Expenses)		
INCREASE IN NET ASSETS	417,609	342,428
NET ASSETS, BEGINNING OF YEAR	<u>2,341,297</u>	<u>1,998,869</u>
NET ASSETS, END OF YEAR	<u>\$ 2,758,906</u>	<u>\$ 2,341,297</u>

See notes to financial statements.

**JEFFERSON COUNTY NURSING HOME**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities		
Cash received from residents and third-party payers	\$ 8,770,878	\$ 8,331,140
Cash payments to suppliers for goods and services	(3,877,160)	(3,711,686)
Cash payments to employees for services	(3,942,378)	(3,762,360)
Cash payments for taxes and fees	(608,343)	(588,738)
Cash received from other operating revenue	<u>17,382</u>	<u>15,965</u>
Net Cash Flows Provided By Operating Activities	360,379	284,321
Cash Flows From Noncapital Financing Activities		
Unrestricted donations	<u>1,221</u>	<u>1,455</u>
Net Cash Flows Provided By Noncapital Financing Activities	1,221	1,455
Cash Flows From Capital and Related Financing Activities		
Proceeds from bond sales	-	7,900,000
Acquisition and construction of capital assets, exclusive of capitalized interest and interest earned on bond proceeds	(500,854)	(193,115)
Interest earned on bond proceeds	244,337	151,467
Interest paid on bonds	(348,581)	(154,925)
Principal paid on bonds	<u>(140,000)</u>	<u>-</u>
Net Cash Flows Provided By Capital and Related Financing Activities	(745,098)	7,703,427
Cash Flows From Investing Activities		
Interest income	8,435	17,567
Deposits into bank CDs	(3,341)	(7,340)
Deposit into bond proceeds investment account	(244,337)	(8,051,467)
Transfers from bank CDs	-	100,331
Transfers from bond proceeds investment account	<u>653,388</u>	<u>152,002</u>
Net Cash Flows Used By Investing Activities	414,145	(7,788,907)
Net Increase in Cash and Cash Equivalents	30,647	200,296
Cash and Cash Equivalents, Beginning of Year	<u>533,221</u>	<u>332,925</u>
Cash and Cash Equivalents, End of Year	<u><u>563,868</u></u>	<u><u>\$ 533,221</u></u>
Cash and Cash Equivalents		
Unrestricted cash	\$ 547,253	\$ 517,322
Restricted cash - scholarship fund	<u>16,615</u>	<u>15,899</u>
Total Cash and Cash Equivalents	<u><u>\$ 563,868</u></u>	<u><u>\$ 533,221</u></u>

See notes to financial statements.

**JEFFERSON COUNTY NURSING HOME**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Reconciliation of Net Income From Operations to		
Net Cash Flows From Operating Activities:		
Income from operations	\$ 403,244	\$ 325,946
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	115,294	117,516
Accounts receivable	(166,367)	(146,925)
Inventory	500	(1,271)
Prepaid expense	(2,614)	5,447
Accounts payable	(20,560)	(69,701)
Salaries payable	13,342	22,463
Vacation leave payable	6,218	(8,529)
Employee retirement payable	4,926	37,421
Accrued payroll taxes	5,827	1,954
Other accrued liabilities	569	
	<u>360,379</u>	<u>284,321</u>
Net Cash Flows Provided By Operating Activities	\$ <u>360,379</u>	\$ <u>284,321</u>

See notes to financial statements.

**JEFFERSON COUNTY NURSING HOME  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General Statement

Jefferson County Nursing Home provides long-term health care primarily for the citizens of Jefferson County, Tennessee. The accounting policies of Jefferson County Nursing Home conform to generally accepted accounting principles applicable to government units. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in GASB's Codification of *Governmental Accounting and Financial Reporting Standards*, the Jefferson County Nursing Home has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Basis of Presentation

The nursing home is governed, operated and controlled by a seven-member board of commissioners who are appointed by the Board of County Commissioners of Jefferson County. Jefferson County is legally obligated to assume the nursing home's debt in the event of default and is legally obligated to provide financial support, making Jefferson County financially accountable for the nursing home. Therefore, Jefferson County Nursing Home is a discrete component unit of Jefferson County, Tennessee. Jefferson County's accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The transactions of each fund are accounted for with a separate set of self-balancing accounts that include its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate.

Jefferson County Nursing Home is an enterprise fund, used for activities which are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**JEFFERSON COUNTY NURSING HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

Definition of Operating Activities

Jefferson County Nursing Home considers operating revenues and expenses to be those that result from providing long-term health care to citizens of Jefferson County.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurement made, regardless of the measurement focus applied.

Jefferson County Nursing Home's records are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when they are earned, and expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents includes bank demand deposits and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory

Inventory consists of expendable supplies held for consumption and use in the medical, dietary, housekeeping, maintenance and laundry departments and are carried at cost on the first-in, first-out basis. The cost of supplies is expensed at the time the items are used and not at the time of purchase.

Capital Assets

Capital assets owned by Jefferson County Nursing Home are recorded at cost. Repairs and maintenance are recorded as expenses. Betterments and renewals are capitalized. Depreciation of fixed assets is charged as an expense against its operations. Accumulated depreciation is reported on the balance sheet.

**JEFFERSON COUNTY NURSING HOME  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2009 and 2008**

Jefferson County Nursing Home has provided for depreciation over the estimated useful lives of assets according to Medicare and Medicaid guidelines, using the straight line and double declining balance methods. The estimated useful lives are as follows:

Buildings	10 - 40 years
Equipment	4 - 20 years
Land Improvements	10 - 12 years

Compensated Absences

The policy of Jefferson County Nursing Home is to permit full-time employees to accumulate unused vacation leave according to the following schedule:

<u>Years of Employment</u>	<u>Vacation Leave</u>
1-10	10 days
11-20	15 days
over 20	20 days

The accumulated vacation leave is paid to employees upon separation from service.

Sick leave accumulates at the rate of one day for each month of full-time service; however, sick leave does not vest for payment upon separation from service.

Vacation leave is recorded as an expense as it is earned without regard to when it is paid, and sick leave is recorded as an expense when paid.

**NOTE B - CASH AND INVESTMENTS**

Jefferson County Nursing Home maintained checking and savings accounts and certificates of deposit at First Tennessee Bank, FSG Bank, Branch Banking & Trust and Citizen's National Bank during the year ended June 30, 2009. State law requires deposits of the nursing home's funds to be insured or collateralized. At June 30, 2009 the nursing home had deposits with the following banks:

First Tennessee Bank	\$ 545,092
FSG Bank	\$ 11,173
BB&T	\$ 68,977
Citizen's National Bank	\$ 56,088

**JEFFERSON COUNTY NURSING HOME  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008**

Funds in excess of the Federal Deposit Insurance Corporation insured amounts of \$100,000 at each bank were secured by the banks' pledge of collateral through their participation in the State of Tennessee collateral pool.

**NOTE C – RESTRICTED ASSETS**

Cash in the employee scholarship fund, a restricted asset, is available to provide scholarships to qualifying employees. Certain donations received are designated to be used for higher education of employees. At least one qualifying employee per year is awarded a scholarship to offset the cost of higher education. Deposits to the fund come from private donations and monthly interest earned. The only withdrawals made are to award \$2,000 scholarships to qualifying employees. Scholarships awarded are subject to board approval. A minimum account balance of \$10,000 is maintained. During the fiscal year ended June 30, 2009, there were no employees who received a \$2,000 scholarship.

Jefferson County issued \$8,000,000 in general obligation bonds to fund construction of an addition to the nursing home. The net proceeds from those bonds, \$7,900,000, were deposited into an investment account with Morgan Keegan & Company, Inc. by Ginger Franklin, Jefferson County trustee. As construction progresses, draws are requested by the trustee, and, upon receipt, the county finance officer forwards the funds to the nursing home. The funds are invested in obligations of local governments (municipal bonds) and federal obligations. As of June 30, 2009, the total amount in the investment account consisted of cash in the amount of \$90,445 and municipal bonds and agency securities in the amount of \$7,399,970.

**JEFFERSON COUNTY NURSING HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

**NOTE D – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009 is as follows:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2009</u>
Non-depreciable assets:				
Land	\$ 7,181	\$ -	\$ -	\$ 7,181
Construction in progress	<u>191,201</u>	<u>527,771</u>	<u>-</u>	<u>718,972</u>
Total non-depreciable assets	<u>\$ 198,382</u>	<u>\$ 527,771</u>	<u>\$ -</u>	<u>\$ 726,153</u>
Depreciable assets:				
Paving	46,651	-	-	46,651
Less: accumulated depreciation	<u>(42,565)</u>	<u>(2,183)</u>	<u>-</u>	<u>(44,748)</u>
Net - Paving	4,086	(2,183)	-	1,903
Buildings	3,141,956	-	-	3,141,956
Less: accumulated depreciation	<u>(1,910,993)</u>	<u>(58,921)</u>	<u>-</u>	<u>(1,969,914)</u>
Net - Buildings	1,230,963	(58,921)	-	1,172,042
Equipment	1,167,102	211,493	-	1,378,595
Less: accumulated depreciation	<u>(931,368)</u>	<u>(54,190)</u>	<u>-</u>	<u>(985,558)</u>
Net - Equipment	235,734	157,303	-	393,037
Total depreciable assets	4,355,709	211,493	-	4,567,202
Less total accumulated depreciation	<u>(2,884,926)</u>	<u>(115,294)</u>	<u>-</u>	<u>(3,000,220)</u>
Total net depreciable assets	<u>\$ 1,470,783</u>	<u>\$ 96,199</u>	<u>\$ -</u>	<u>\$ 1,566,982</u>
Total net capital assets	<u>\$ 1,669,165</u>	<u>\$ 623,970</u>	<u>\$ -</u>	<u>\$ 2,293,135</u>

**NOTE E - PENSION PLAN**

Certain employees of Jefferson County Nursing Home are covered under the pension plan of Jefferson County, Tennessee. Jefferson County participates in the Tennessee Consolidated Retirement System (TCRS), which is a defined benefit retirement plan covering employees of the State of Tennessee and electing political subdivisions.

Jefferson County Nursing Home's participating employees are noncontributory; therefore, the nursing home pays the total pension compensation. For the fiscal year ended June 30, 2009 Jefferson County Nursing Home contributed \$483,224 to the plan.

Reference is made to the Comprehensive Annual Financial Report for Jefferson County, Tennessee for details related to the plan description, funding status and progress, actuarially determined contribution requirements and trend information. This additional information is not separately determined for Jefferson County Nursing Home.

**JEFFERSON COUNTY NURSING HOME  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008**

**NOTE F – LONG-TERM DEBT**

Jefferson County, Tennessee issued \$8,000,000 General Obligation Bonds, Series 2007, dated December 21, 2007 to fund a 25 bed addition to the Jefferson County Nursing Home. The bonds are direct general obligations of Jefferson County, Tennessee payable from ad valorem taxes levied upon all taxable property within Jefferson County without limitation as to rate or amount. The full faith and credit of Jefferson County, Tennessee is irrevocably pledged to pay principal, redemption premiums, if any, and interest on the bonds. However, because the debt was incurred specifically for the addition to Jefferson County Nursing Home and the nursing home is expected to repay the debt in full, the bond transactions are reported on the nursing home financial statements.

The bonds were issued at a premium totaling \$92,631. The bond premium is amortized over the life of the bonds and reported as interest income on the financial statements of the nursing home. The unamortized premium is reported on the balance sheet as an addition to the face amount of the bonds. Premium amortization for the fiscal years ended June 30, 2009 and 2008 totaled \$10,279 and \$4,045, respectively.

Expenses related to the bond issue included the underwriter's discount in the amount of \$63,631, the bond insurance premium in the amount of \$69,000, and costs of issuance in the amount of \$60,000. These expenses are reported as deferred charges on the nursing home's balance sheet and amortized as part of bond interest expense over the life of the bonds. The deferred charges amortization totaled \$6,421 and \$3,211 for the fiscal years ended June 30, 2009 and 2008 respectively.

The coupon rates range from 4.000% to 4.400% and are payable in annual principal installments ranging from \$140,000 to \$480,000. The first principal installment was paid on June 1, 2009, and the final principal installment is due June 1, 2037.

The net proceeds from the bonds, \$7,900,000, were deposited into an investment account with Morgan Keegan & Company, Inc. by Ginger Franklin, Jefferson County Trustee. As construction progresses, draws are requested by the trustee, and, upon receipt, the county finance officer forwards the funds to the nursing home. The funds are invested in municipal bonds and federal agency obligations. As of June 30, 2009, the total amount in the investment account consisted of cash in the amount of \$90,445 and municipal bonds and agency securities in the amount of \$7,399,970.

**JEFFERSON COUNTY NURSING HOME  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008**

Long-term liability activity for the fiscal year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
General obligation bonds	\$ 8,000,000	\$ -	\$ (140,000)	\$ 8,000,000	\$ 145,000
Bond premium	88,586	-	(10,279)	78,307	9,221
Totals	<u>\$ 8,088,586</u>	<u>\$ -</u>	<u>\$ (150,279)</u>	<u>\$ 8,078,307</u>	<u>\$ 154,221</u>

Future maturities of the aforementioned debt are as follows:

Fiscal Year Ended June 30	Bond		
	Principal	Premium Amortization	Interest
2010	\$ 145,000	\$ 9,221	\$ 340,081
2011	150,000	8,188	334,181
2012	160,000	7,179	327,981
2013	165,000	6,171	321,481
2014	175,000	5,186	314,681
2015-2019	990,000	13,352	1,456,981
2020-2024	1,235,000	10,068	1,211,144
2025-2029	1,540,000	11,460	900,666
2030-2034	1,920,000	6,347	522,079
2035-2037	<u>1,380,000</u>	<u>1,135</u>	<u>92,840</u>
Total	<u>\$ 7,860,000</u>	<u>\$ 78,307</u>	<u>\$ 5,822,115</u>

**NOTE G – MEDICAID REIMBURSEMENTS**

Jefferson County Nursing Home participates in the Tennessee Medicaid nursing home program and has a significant number of residents who qualify for Medicaid assistance. The Medicaid program reimburses the nursing home based on their operating costs as reported on their annual cost report, which is submitted to the State of Tennessee Comptroller's Office. The amount of room rent paid by Medicaid to the nursing home for the year ended June 30, 2009 and 2008 was \$4,760,190 and \$4,536,031, respectively.

**JEFFERSON COUNTY NURSING HOME  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008**

**NOTE H - MEDICARE REIMBURSEMENTS**

Jefferson County Nursing Home also participates in the federal Medicare program.

The Medicare program consists of two parts – Part A and Part B. Part A covers hospital charges and charges in skilled nursing facilities up to 100 days. For skilled facilities, Medicare – Part A pays 100% for days 1 – 20 and, for days 21 -100, the patient is responsible for a co-payment (\$133.50 and \$128.00 for calendar years 2009 and 2008, respectively).

The Medicare Part A program reimburses the nursing home using a per diem amount that covers all of the costs of providing covered skilled nursing facility services. There are tables of rates that Medicare uses to reimburse providers; each patient is medically assessed and assigned a classification which determines the per diem reimbursement for that patient.

Medicare – Part B operates in a similar manner to commercial medical insurance. Part B covers medically necessary physician services and therapies. Patients covered under Medicare B are responsible for a deductible of \$100 plus 20% of the allowable amount,

The Medicare Part B program reimburses the nursing home based on costs it has incurred in administering skilled care, such as physical therapy, to its residents.

Reimbursements by Medicare to the nursing home for the years ended June 30, 2009 and 2008 totaled \$2,388,238 and \$2,096,030, respectively.

**NOTE I - RISK FINANCING ACTIVITIES**

Jefferson County Nursing Home is a member of the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, TCA, all governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

**JEFFERSON COUNTY NURSING HOME  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008**

Jefferson County Nursing Home is exposed to various risks related to general liability and property and casualty losses. The nursing home carries commercial insurance to cover their risks related to general liability, property and casualty, officers and directors, and worker's compensation.

Settled claims have not exceeded their commercial coverage in any of the past three years.

**NOTE J – SUBSEQUENT EVENTS**

Jefferson County Nursing Home's construction of a "green house" expansion of the nursing home facility which will add 25 beds to the facility was ongoing at June 30, 2009. The nursing home received approval by the State of Tennessee for its certificate of need on October 24, 2007. Construction is expected to be complete in the Spring of 2010.

**SUPPLEMENTARY INFORMATION**

**JEFFERSON COUNTY NURSING HOME  
NURSING HOME OFFICIALS  
June 30, 2009**

Board of Directors

Phil Kindred, Chairman  
N. M. Hodges  
E.M. Rogers  
Linda Franklin, Secretary  
Steven Chambers  
Justin McGoldrick, M.D.

Administration

Roger L. Mynatt - Administrator  
Rebecca D. Woods - Assistant Administrator

**JEFFERSON COUNTY NURSING HOME  
SCHEDULES OF OPERATING EXPENSES  
Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
General and Administrative		
Salaries		
Administrator	\$ 102,221	\$ 99,234
Assistant administrator	67,356	61,103
Administrative staff	154,920	151,871
Payroll taxes	24,232	23,971
Forms and office supplies	26,436	27,626
Telephone	17,617	14,928
License and dues	13,888	29,248
Professional services - other	-	15,000
Professional services - accounting	10,329	10,561
Insurance		
Employee life insurance	9,179	10,929
Employee health insurance	783,124	709,205
Commercial insurance	95,238	99,130
Workers compensation insurance	74,201	84,462
Retirement	483,224	458,776
Employee physicals	7,035	6,614
Training, seminars, and conferences	4,217	9,415
Travel expense	13,146	10,419
Advertising	1,899	5,419
IT services	31,921	31,407
Employee/guest meals	-	1,135
Other compensation and awards	39,391	48,786
Flowers and gifts	2,383	2,649
Employee background checks	681	903
Temporary service - office	-	43
Minor equipment	18,417	13,021
Equipment rental	4,248	3,825
Postage and delivery	4,613	4,872
Miscellaneous expenses	6,220	40,711
Total General and Administrative	<u>1,996,136</u>	<u>1,975,263</u>

**JEFFERSON COUNTY NURSING HOME  
SCHEDULES OF OPERATING EXPENSES  
Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Bed Tax	\$ 300,375	\$ 300,375
Nursing		
Salaries		
Director of nursing	78,268	67,902
MDS	55,849	54,996
Unit managers	194,382	183,258
Registered nurses	87,343	77,946
Licensed practical nurses	843,966	758,957
Certified nursing assistants	1,360,947	1,338,593
Feeding assistants	45,135	36,144
Payroll taxes	212,809	194,473
Medical director	14,816	16,204
Supplies	159,654	186,511
Training, seminars, conferences	1,560	85
Medical records consultant	-	4,330
	<hr/>	<hr/>
Total Nursing	3,054,729	2,919,399
Activities		
Salaries		
Activities director	30,599	29,760
Activities staff	40,080	44,775
Payroll taxes	5,576	5,776
Supplies	17,116	10,748
	<hr/>	<hr/>
Total Activities	93,371	91,059
Social Services		
Salaries		
Social services director	33,845	35,236
Social services staff	62,776	72,290
Payroll taxes	7,342	7,965
	<hr/>	<hr/>
Total Social Services	103,963	115,491

**JEFFERSON COUNTY NURSING HOME  
SCHEDULES OF OPERATING EXPENSES  
Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Dietary		
Salaries		
Dietary supervisor	\$ 33,793	\$ 35,458
Dietary staff	351,848	341,826
Payroll taxes	31,241	28,552
Food	480,967	403,906
Supplies	31,098	33,833
Dietary consultant	11,476	9,430
Minor equipment	4,246	2,608
	<hr/>	<hr/>
Total Dietary	944,669	855,613
Housekeeping		
Salaries		
Housekeeping supervisor	32,115	30,637
Housekeeping staff	299,823	290,366
Payroll taxes	25,735	24,534
Supplies	34,224	32,450
	<hr/>	<hr/>
Total Housekeeping	391,897	377,987
Laundry and Linen		
Supplies	38,087	17,857
Minor equipment	448	-
Linen and bedding	21,846	16,921
	<hr/>	<hr/>
Total Laundry and Linen	60,381	34,778
Plant Operation and Maintenance		
Salaries		
Maintenance supervisor	42,399	39,767
Maintenance staff	44,273	26,175
Payroll taxes	6,860	5,046
Gas	109,914	109,481
Electricity	98,609	87,170
Water and sewer	55,378	53,341
Supplies	74,134	91,472
Minor equipment	2,395	15,988
Pest control	2,244	3,069
Waste disposal	5,272	4,787
Grounds	3,730	3,040
	<hr/>	<hr/>
Total Plant Operation and Maintenance	445,208	439,336

**JEFFERSON COUNTY NURSING HOME  
SCHEDULES OF OPERATING EXPENSES  
Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Ancillary Expenses		
Therapy Medicare Part A	\$ 390,878	\$ 372,216
Lab Medicare Part A	15,966	-
Other services Medicare Part A	3,100	-
HMO/MCO physical therapy	10,571	7,936
HMO/MCO occupational therapy	10,682	6,369
HMO/MCO speech therapy	5,020	4,347
Physical therapy - Part B	105,591	95,272
Occupational therapy - Part B	56,007	63,880
Speech therapy - Part B	52,730	37,907
Hospice physical therapy	2,263	-
Hospice occupational therapy	1,613	-
Hospice speech therapy	789	-
Lab fees	127	166
Ambulance expense	47,640	20,863
X-Ray expense	7,241	13,511
Transportation	-	208
Endoscopic services	2,500	-
Respiratory services	35,840	31,746
	<hr/>	<hr/>
Total Ancillary Expenses	748,558	654,421
Drugs		
Drugs Part A	237,021	210,251
Drugs Part D	31,484	21,154
Pharmacy consultant	8,100	8,100
Drugs - data processing	2,234	3,284
Floor stock drugs and supplies	17,963	44,057
	<hr/>	<hr/>
Total Drugs	296,802	286,846
Depreciation	<hr/>	<hr/>
	115,294	117,516
Total Operating Expenses	<u>\$ 8,551,383</u>	<u>\$ 8,168,084</u>

**JEFFERSON COUNTY NURSING HOME  
NURSING HOME STATISTICS  
Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Days in fiscal year	365	366
Total resident beds, end of year	135	135
Maximum patient days	49,275	49,410
Chargeable resident days	48,862	48,970
Percent of occupancy on chargeable days	99.16%	99.11%
Total revenue	\$ 8,975,413	\$ 8,516,181
Average income per chargeable day	\$ 183.69	\$ 173.91
Total expenses	\$ 8,557,804	\$ 8,173,753
Average expenses per chargeable day	\$ 175.14	\$ 166.91
Average income per chargeable day	\$ 183.69	\$ 173.91
Average expenses per chargeable day	<u>\$ (175.14)</u>	<u>\$ (166.91)</u>
Average net income per chargeable day	<u>\$ 8.55</u>	<u>\$ 7.00</u>
Average revenue per day	\$ 24,590	\$ 23,268
Average expenses per day	<u>\$ (23,446)</u>	<u>\$ (22,333)</u>
Average net income per day	<u>\$ 1,144</u>	<u>\$ 935</u>
Total salaries	\$ 3,961,938	\$ 3,776,294
Average daily salary	\$ 10,855	\$ 10,318
Total cost of meals	\$ 944,669	\$ 855,613
Average cost per meal:		
163,269/161,734 meals served	\$ 5.79	\$ 5.29

**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  
Jefferson County Nursing Home  
Dandridge, Tennessee

We have audited the accompanying financial statements of Jefferson County Nursing Home, a component unit of Jefferson County, Tennessee, as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated January 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 Jefferson County Nursing Home's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is no more than a remote likelihood that a misstatement of Jefferson County Nursing Home's financial statements that is more than inconsequential will not be prevented or detected by Jefferson County Nursing Home's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Jefferson County Nursing Home's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson County Nursing Home's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Jefferson County Nursing Home in a separate letter dated January 11, 2010.

This report is intended solely for the information and use of management, the board of directors of Jefferson County Nursing Home, and the State of Tennessee, Division of County Audit and is not intended to be and should not be used by anyone other than these specified parties.

*McFarland and Gann, P.C.*

McFarland and Gann, P.C.  
January 11, 2010

**JEFFERSON COUNTY NURSING HOME**  
**SCHEDULE OF AUDIT FINDINGS NOT CORRECTED**  
**June 30, 2009**

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. There are no findings from the audit for the year ended June 30, 2008 which have not been corrected.