

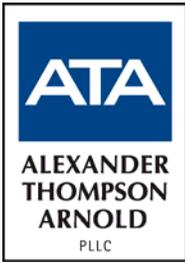
WEAKLEY COUNTY NURSING HOME

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

June 30, 2009

WEAKLEY COUNTY NURSING HOME
TABLE OF CONTENTS
June 30, 2009

INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 5
STATEMENT OF NET ASSETS	6
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	7
STATEMENT OF CASH FLOWS	8 - 9
NOTES TO FINANCIAL STATEMENTS	10 - 15
OTHER SUPPLEMENTARY INFORMATION: STATEMENT OF BUDGETARY COMPARISON - BUDGETARY BASIS	16
SCHEDULE OF OPERATING EXPENSES	17 - 19
INDEPENDENT AUDITORS' 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>	20 - 21
FINDINGS AND RECOMMENDATIONS	22



Certified Public Accountants

16208 Highland Drive
McKenzie, TN 38201

Telephone: (731) 352-3513
(800) 273-3241
Fax: (731) 352-2919

Members of:

American Institute of Certified Public Accountants
Governmental Audit Quality Center – AICPA
Tennessee Society of Certified Public Accountants
Center for Public Company Audit Firms
Employee Benefit Plan Audit Quality Center – AICPA

www.atacpa.net

Independent Auditor's Report

September 24, 2009

Board of Directors
Weakley County Nursing Home
Dresden, Tennessee

We have audited the accompanying financial statements of the Weakley County Nursing Home (Nursing Home), a component unit of Weakley County, Tennessee, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Nursing Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Weakley County Nursing Home and are not intended to present fairly the financial position of Weakley County, Tennessee, and the results of its operations and cash flows of its proprietary fund types 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 the Weakley County Nursing Home, a component unit of Weakley County, Tennessee, as of June 30, 2009, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2009, on our consideration of the Weakley County Nursing Home's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

Milan, TN
McKenzie, TN
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Weakley County Nursing Home
September 24, 2009

The management's discussion and analysis on pages 3 through 5 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 audit was conducted for the purpose of forming an opinion on the basic financial statements of the Weakley County Nursing Home, a component unit of Weakley County, Tennessee. The other supplementary information listed in the table of contents 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, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Alexander Thompson Arnold PLLC

McKenzie, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Weakley County Nursing Home (Nursing Home), we offer readers of the Nursing Home's financial statements this narrative overview and analysis of the financial activities of the Nursing Home for the fiscal year ended June 30, 2009.

FINANCIAL HIGHLIGHTS

- The assets of the Nursing Home exceeded its liabilities at the close of the most recent fiscal year by \$4.8 million (*net assets*). This is an increase of \$937,273 or 24% from last year.
- During the fiscal year ended June 30, 2009, the Nursing Home had net income from operations of \$986,689. This is an increase of \$637,884 over the net income from operations at year ended June 30, 2008.
- The Nursing Home's operating revenues increased by 15% for the fiscal year ended June 30, 2009; its operating expenses increased by 7%.
- The Nursing Home purchased the following capital assets: new Dodge Caravan, new handrails for the kitchen, dining, and north hall, completed construction on the kitchen remodel, north shower room, and a storage building ; and miscellaneous other purchases.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Nursing Home's basic financial statements. The Nursing Home's basic financial statements are comprised of the following components:

1. Statement of Net Assets
2. Statement of Revenues, Expenses, and Changes in Net Assets
3. Statement of Cash Flows
4. Notes to Financial Statements

This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Nursing Home's finances, in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of the Nursing Home's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Nursing Home is improving or deteriorating.
- The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the Nursing Home's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. Refer to the table of contents for the location of the notes to the financial statements in this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Nursing Home, assets exceeded liabilities by \$4.8 million at the close of the most recent fiscal year. The largest portion of the Nursing Home's net assets 33% representing investment in capital assets are capital assets used to provide services to citizens.

The remaining balance of net assets, 67%, represents unrestricted net assets. Therefore, the Nursing Home appears fairly strong based on the large percentage of net assets still available.

	2009	2008
Current and Other Assets	\$ 3,724,259	\$ 2,746,518
Capital Assets	<u>1,570,863</u>	<u>1,569,352</u>
Total Assets	<u>5,295,122</u>	<u>4,315,870</u>
Current Liabilities	440,672	409,845
Other Liabilities	<u>33,361</u>	<u>22,209</u>
Total Liabilities	<u>474,033</u>	<u>432,054</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,570,863	1,569,352
Unrestricted	<u>3,250,226</u>	<u>2,314,464</u>
Total Net Assets	<u>\$ 4,821,089</u>	<u>\$ 3,883,816</u>

During the current fiscal year, the Nursing Home's net assets increased by \$937,237. This increase was due to the increase in the number of skilled care patients.

Statement of Revenues, Expenses, and Changes in Net Assets - Revenues exceeded expenditures by \$937,237.

	2009	2008
Revenues:		
Operating Revenues:		
Medicaid I	\$ 3,432,336	\$ 3,412,717
Private Pay	78,656	567,402
Medicare A	3,625,938	2,496,478
Medicare B	271,984	508,943
Medicaid II	222,591	147,232
Other	801,095	190,466
Nonoperating Revenues:		
Interest Income	<u>15,308</u>	<u>38,812</u>
Total Revenues	<u>\$ 8,447,908</u>	<u>\$ 7,362,050</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

Expenses:	2009	2008
General and Administrative	\$ 990,515	\$ 924,221
Employee Benefits	1,083,060	1,006,174
Dietary	702,301	670,294
Housekeeping	213,272	202,609
Laundry and Linen	186,629	178,248
Plant Operation and Maintenance	360,294	279,061
Medical and Nursing	2,472,145	2,315,320
Recreational Activities	47,563	44,099
Social Services	42,016	33,326
Medicare Expenses	1,211,370	1,185,015
Depreciation	136,746	136,066
Interest Expense	-	7,326
Penalties	-	2,072
Total expenses	7,445,911	6,983,831
Transfers Out	64,724	-
Increase in Net Assets	937,273	378,219
Net assets - beginning of year	3,883,816	3,367,597
Prior period adjustment	-	195,000
Net assets - beginning of year, restated	3,883,816	3,562,597
Payment on Agreement with Weakley County	-	(57,000)
Net assets - ending	\$ 4,821,089	\$ 3,883,816

The increase in revenues was primarily due to the increase in rates and an increase in skilled care patients. The increase in expenses was primarily due to the increase in salaries due to the increase in minimum wage and other cost of living increases.

Budgetary highlights - The Nursing Home made slight revisions to the original appropriations approved by the Board.

- Budgeted revenues exceeded the actual revenues by \$211,854. Budgeted expenditures exceeded actual expenditures by \$143,648.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - At the end of Fiscal Year 2009, the Nursing Home had invested over \$1,569,352 net of accumulated depreciation in a variety of capital assets. Additional information on the Nursing Home's capital assets can be found in Notes 1 and 5 beginning on page 10 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Nursing Home added respite care, meals on wheels, and hospice care during the current year. These new services will expand the offerings of the Nursing Home significantly to include more elderly and incapacitated individuals of the Weakley County.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Nursing Home's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Nursing Home's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Nursing Home Administrator, Weakley County Nursing Home, P.O. Box 787, Dresden, TN 38225.

WEAKLEY COUNTY NURSING HOME
STATEMENT OF NET ASSETS

June 30, 2009

ASSETS

Current Assets

Cash on Hand and in Bank	\$ 1,929,037	
Money Market Accounts	112,421	
Accounts Receivable	1,565,521	
Inventory - Supplies	67,853	
Prepaid Insurance	10,291	
Uniform Cost Due from Employees	602	
Refund Due from Vendor	5,173	
Total Current Assets		3,690,898

Fixed Assets

Land	2,371	
Land Improvements	64,212	
Buildings and Improvements	2,865,189	
Equipment	1,132,215	
Vehicles	55,559	
Other Assets	40,815	
Total Fixed Assets	4,160,361	
Less: Accumulated Depreciation	(2,589,498)	
Net Fixed Assets		1,570,863

Restricted Assets

Cash on Hand and in Bank - Patient Trust Fund		33,361
---	--	--------

Total Assets

5,295,122

LIABILITIES

Current Liabilities

Accounts Payable	179,089	
Nursing Home Tax Payable	25,217	
Accrued Salaries and Wages	147,577	
Employee Retirement and Insurance Payable	25,647	
Accrued Vacation Pay	63,142	
Total Current Liabilities	440,672	

Other Liabilities

Patient Trust Fund	33,361	
--------------------	--------	--

Total Liabilities

474,033

Net Assets

Invested in Capital Assets	1,570,863	
Unrestricted	3,250,226	

Total Net Assets

\$ 4,821,089

WEAKLEY COUNTY NURSING HOME
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2009

Operating Income		
Medicaid I, net of contractual	\$ 2,892,206	
Medicaid I - Patient Liability	540,130	
Private Pay	78,656	
Hospice, net of contractual	791,321	
Medicare A, net of contractual and bad debts	3,625,938	
Medicare B, net of contractual	271,984	
Medicaid II, net of contractual	202,549	
Medicaid II - Patient Liability	20,042	
Meals on Wheels, net of contractual	5,963	
Respite Medicaid	2,482	
Adult Day Care	1,329	
Total Operating Income		<u>8,432,600</u>
Operating Expenses		
General and Administrative	990,515	
Employee Benefits	1,083,060	
Dietary	702,301	
Housekeeping	213,272	
Laundry and Linen	186,629	
Plant Operation and Maintenance	360,294	
Medical and Nursing	2,472,145	
Recreational Activities	47,563	
Social Services	42,016	
Medicare Expenses	1,211,370	
Depreciation	136,746	
Total Operating Expenses		<u>7,445,911</u>
Net Income (Expense) from Operations		<u>986,689</u>
Nonoperating Income (Expense)		
Interest Income	15,308	
Total Nonoperating Income (Expense)		<u>15,308</u>
Income (Loss) Before Transfers		1,001,997
Transfers		
Transfer Out - Agreement With County		(64,724)
Change in Net Assets		937,273
Net Assets - Beginning of Year		<u>3,883,816</u>
Net Assets - End of Year		<u>\$ 4,821,089</u>

See accompanying notes to financial statements.

Page 7

WEAKLEY COUNTY NURSING HOME
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009

Cash Flows from Operating Activities:		
Receipts from Patient Charges	\$ 8,204,718	
Payments to Vendors	(2,919,244)	
Payments to Employees and for Employee Benefits	<u>(4,373,556)</u>	
Net Cash Provided (Used) by Operating Activities		911,918
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Building Improvements and Equipment	(138,258)	
Payments on County Agreement	<u>(64,724)</u>	
Net Cash Provided (Used) by Capital and Related Financing Activities		(202,982)
Cash Flows from Investing Activities:		
Interest Earned	<u>15,404</u>	
Net Cash Provided (Used) by Investing Activities		<u>15,404</u>
Net Increase (Decrease) in Cash and Cash Equivalents		724,340
Cash and Cash Equivalents - Beginning of Year		<u>1,317,118</u>
Cash and Cash Equivalents - End of Year		<u><u>\$ 2,041,458</u></u>
Cash and Cash Equivalents:		
Cash on Hand and in Banks	\$ 1,929,037	
Money Market Accounts	<u>112,421</u>	
Total Cash and Cash Equivalents	<u><u>\$ 2,041,458</u></u>	

WEAKLEY COUNTY NURSING HOME
STATEMENT OF CASH FLOWS (CONT.)
For the Year Ended June 30, 2009

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

Net Income (Loss) from Operations	\$ 986,689	
Adjustment to Reconcile Net Income (Loss):		
Depreciation	136,746	
Changes in Operating Assets and Liabilities:		
Accounts Receivable, net	(227,882)	
Inventory	(12,761)	
Prepaid Insurance	(2,501)	
Uniform Cost Due from Employees	800	
Accounts Payable	8,997	
Accrued Salaries and Wages	8,820	
Employee Retirement and Insurance Payable	764	
Accrued Vacation Pay	<u>12,246</u>	
Net Cash Provided (Used) by Operating Activities		<u>\$ 911,918</u>

WEAKLEY COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

1. Significant Accounting Policies

Reporting Entity - The Weakley County Nursing Home is a reporting component of Weakley County, Tennessee, and is, therefore, included in their audit report. The board of directors of Weakley County Nursing Home is comprised of county commissioners who are appointed to be on the board. Before the issuance of any debt instruments, the Nursing Home must obtain the approval of the County Commission. The Weakley County Nursing Home is located in Dresden, Tennessee. The Nursing Home mainly serves the residents of Weakley County by rendering intermediate and skilled care to patients.

Basis of Accounting - The Weakley County Nursing Home is a governmental unit and uses fund accounting. The Nursing Home is an enterprise fund in that operations are accounted for in a manner similar to a private business, where the intent of the governing body is that the costs of operations (including depreciation) will be recovered through user charges.

The Nursing Home uses the accrual basis of accounting. The accrual basis of accounting recognizes revenues when earned and expenses as incurred.

GASB No. 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Weakley County Nursing Home has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

Depreciation - Fixed assets are recorded at historical cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives for assets are as follows:

<u>Asset Classification</u>	<u>Estimated Useful Life in Years</u>
Buildings and Improvements	5 - 40
Equipment	5 - 15
Vehicles	5
Other Fixed Assets	7 - 10

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not capitalized. Typically, purchases of less than \$250 are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Leases - Weakley County Nursing Home is not obligated on any significant lease agreements.

WEAKLEY COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Inventory - Inventories, consisting of supplies held for consumption, are valued at cost, using the First-in, First-out (FIFO) method. Inventories are adjusted to physical counts at the end of each fiscal year.

Net Assets – Equity is classified as net assets and displayed in the following components:

- Invested in Capital Assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. The statement of net assets presents only invested in capital assets as there is no debt related to capital assets.
- Unrestricted – All other net assets that do not meet the description of the above categories.

Cash and Cash Equivalents - Cash and cash equivalents as used on the statement of cash flows represent cash on hand, cash in bank, and cash in two money market accounts. It does not include certificates of deposit or patient trust funds. For purposes of the Statement of Cash Flows, the Nursing Home considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Allowance for Doubtful Accounts - An allowance for doubtful accounts has not been reflected as of the balance sheet date. The direct write-off of bad debts is made at the end of each fiscal year. The direct write-off method is not in accordance with generally accepted accounting principles, but the effect on the financial statements is immaterial. For the current year, \$217,493 in bad debts was written off. Also, for the current year, \$336,616 of bad debts written off last year was recovered from Medicare.

Budget - The Nursing Home adopts a budget prior to the beginning of each fiscal year. The budget, as amended, is presented against operations in the statement of budgetary comparison. Any expenditures over budgeted amounts require an amendment to the budget by the board of directors.

2. Compensated Absences

Employees are entitled to paid vacation and sick days depending on length of service and other factors. Only full-time employees are entitled to these benefits. The policy of the Nursing Home is to pay eligible employees up to fifteen days worth of vacation time upon termination assuming they have fifteen days of vacation time accrued. An accrual for vacation pay has been made on the financial statements presented. However, sick pay has not been accrued since it is payable only for those who are currently employed with no benefits due upon termination of any employee.

WEAKLEY COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

3. Deposits and Investments

Custodial Credit Risk

The Nursing Home's policies limit deposits and investments to those instruments allowed by applicable state laws. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the Nursing Home's agent in the Nursing Home's name, or by the Federal Reserve Banks acting as third party agents. State statute also authorize the Nursing Home to invest in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2009, all bank deposits were fully collateralized or insured.

4. Risk Management

Until February 1, 2001, Weakley County Nursing Home had chosen to cover its employees' health insurance claims below \$20,000 for each employee up to a maximum total annual exposure amount for the Nursing Home, which is based on a calculation that changes as number of participants and premium amounts change. The Nursing Home had obtained a stop/loss commercial insurance policy to cover claims beyond this liability. As of February 1, 2001, the Nursing Home changed to commercial health insurance for its employees through Blue Cross Blue Shield through the State of Tennessee for everything except paid prescription card.

Weakley County Nursing Home felt it was more economically feasible to be covered under Weakley County's insurance policies for workers' compensation, property, casualty, and automobile insurance. Weakley County is covered under The Local Government Property and Casualty Fund (LGPCF). The Nursing Home pays an annual premium to the Fund for coverage under the above areas. The LGPCF has self-insured retention (SIR) of \$100,000 for each and every loss and/or claim and/or occurrence.

Weakley County Nursing Home continues to carry commercial insurance for all other risks of loss, including general liability and fidelity bonding. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

WEAKLEY COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

5. Changes in Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance at <u>June 30, 2008</u>	<u>Additions</u>	<u>Dispositions</u>	Balance at <u>June 30, 2009</u>
Capital Assets, not being Depreciated				
Land	\$ 2,371	\$ -	\$ -	\$ 2,371
Construction in Progress	<u>15,096</u>	<u>12,838</u>	<u>27,934</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>17,467</u>	<u>12,838</u>	<u>27,934</u>	<u>2,371</u>
Capital Assets, being Depreciated				
Land Improvements	64,212	-	-	64,212
Building & Improvements	2,784,887	80,302	-	2,865,189
Equipment	1,080,662	61,558	10,005	1,132,215
Vehicles	34,059	21,500	-	55,559
Other Assets	<u>40,815</u>	<u>-</u>	<u>-</u>	<u>40,815</u>
Total Capital Assets Being Depreciated	<u>4,004,635</u>	<u>163,360</u>	<u>10,005</u>	<u>4,157,990</u>
Less Accumulated Depreciation for				
Land Improvements	30,822	2,566	-	33,388
Building & Improvements	1,466,964	74,846	-	1,541,810
Equipment	880,090	57,903	-	937,993
Vehicles	34,059	1,433	-	35,492
Other Assets	<u>40,815</u>	<u>-</u>	<u>-</u>	<u>40,815</u>
Total Accumulated Depreciation	<u>2,452,750</u>	<u>136,748</u>	<u>-</u>	<u>2,589,498</u>
Total Capital Assets, Being Depreciated, Net	<u>1,551,885</u>	<u>26,612</u>	<u>10,005</u>	<u>1,568,492</u>
Total Capital Assets, Net	<u>\$ 1,569,352</u>	<u>\$ 39,450</u>	<u>\$ 37,939</u>	<u>\$ 1,570,863</u>

**WEAKLEY COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

6. Pension Plan

Certain employees of the Weakley County Nursing Home are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available in vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Weakley County Nursing Home through Weakley County, Tennessee participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body. This information is the last available and is as of June 30, 2008.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Weakley County Nursing Home has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Weakley County Nursing Home is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 11.51% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Weakley County Nursing Home is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2009, the Weakley County Nursing Home made contributions to the TCRS in the amount of \$273,093. Weakley County Nursing Home's payroll for employees covered by the TCRS for the year ended June 30, 2009, was \$2,372,662. The total payroll for the year was \$3,300,880. The Weakley County Nursing Home's operations are reported in the audit report of Weakley County, Tennessee. For more details concerning TCRS, refer to the audit report of Weakley County, Tennessee, for the year ended June 30, 2009.

**WEAKLEY COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

7. Noncontract Loan Agreement with Weakley County

During the year ended June 30, 2006, the Nursing Home borrowed money from Weakley County. This money was used to help finance the construction of the new therapy wing of the Nursing Home. The arrangement is an informal agreement between the Nursing Home and the County. Therefore, the amount owed is not reflected on the Statement of Net Assets. On the Statement of Revenues, Expenditures, and Changes in Net Assets the payment to the County is reflected as a transfer to the County for the current year principal and interest.

The Nursing Home borrowed \$300,000, of which \$78,000 is still outstanding at June 30, 2009. The interest rate on this loan is 4.4% and has a maturity date of October 1, 2010. The loan has no collateral and is recorded on the books of Weakley County.

The annual requirements for the next five years and in the aggregate are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	63,000	2,046	65,046
2011	<u>15,000</u>	<u>330</u>	<u>15,330</u>
Totals	<u><u>78,000</u></u>	<u><u>2,376</u></u>	<u><u>80,376</u></u>

OTHER SUPPLEMENTARY INFORMATION

WEAKLEY COUNTY NURSING HOME
STATEMENT OF BUDGETARY COMPARISON - BUDGETARY BASIS
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		(Over) Under
Operating Income				
Medicaid I, net of contractual	\$ 3,093,252	\$ 3,316,135	\$ 2,892,206	\$ (423,929)
Medicaid I - Patient Liability	-	-	540,130	540,130
Hospice , net of contractual	185,000	49,316	78,656	29,340
Private Pay	1,200,000	1,438,065	791,321	(646,744)
Medicare A, net of contractual and bad debts	3,036,000	3,412,883	3,625,938	213,055
Medicare B, net of contractual	-	-	271,984	271,984
Medicaid II, net of contractual	-	-	202,549	202,549
Medicaid II - Patient Liability	-	-	20,042	20,042
Meals on Wheels, net of contractual	900	6,205	5,963	(242)
Respite Medicaid	-	-	2,482	2,482
Adult Day Care	-	-	1,329	1,329
Total Operating Income	<u>7,515,152</u>	<u>8,222,604</u>	<u>8,432,600</u>	<u>209,996</u>
Operating Expenses - Schedule Attached				
General and Administrative	993,235	1,015,235	990,515	24,720
Employee Benefits	1,133,610	1,111,610	1,083,060	28,550
Dietary	708,170	712,670	702,301	10,369
Housekeeping	206,200	219,200	213,272	5,928
Laundry and Linen	187,600	189,100	186,629	2,471
Plant Operation and Maintenance	338,000	436,100	360,294	75,806
Medical and Nursing	2,349,400	2,488,800	2,472,145	16,655
Recreational Activities	50,100	50,100	47,563	2,537
Social Services	34,350	41,850	42,016	(166)
Medicare Expenses	1,299,894	1,261,894	1,211,370	50,524
Depreciation	46,000	63,000	136,746	(73,746)
Total Operating Expenses	<u>7,346,559</u>	<u>7,589,559</u>	<u>7,445,911</u>	<u>143,648</u>
Income (Loss) from Operations	<u>168,593</u>	<u>633,045</u>	<u>986,689</u>	<u>66,348</u>
Non-operating Income (Expense)				
Interest Income	<u>30,000</u>	<u>13,450</u>	<u>15,308</u>	<u>1,858</u>
Total Non-operating Income (Expense)	<u>30,000</u>	<u>13,450</u>	<u>15,308</u>	<u>1,858</u>
Income (Loss) Before Transfers	<u>\$ 198,593</u>	<u>\$ 646,495</u>	<u>\$ 1,001,997</u>	<u>\$ 68,206</u>

**WEAKLEY COUNTY NURSING HOME
SCHEDULE OF OPERATING EXPENSES**

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget (Over) Under
	Original	Final		
General and Administrative				
Administrator's Salary	\$ 82,500	\$ 82,500	\$ 84,879	\$ (2,379)
Office Salaries	113,853	143,853	144,560	(707)
Office Supplies	20,300	24,300	22,506	1,794
Board Member Expense	8,882	7,882	6,849	1,033
Licenses and Dues	315,500	317,500	314,387	3,113
Professional Services	78,000	87,700	82,758	4,942
Professional Training and Education	23,500	5,500	7,428	(1,928)
Telephone	17,000	19,000	16,934	2,066
Insurance	260,000	260,000	256,961	3,039
Advertising	29,000	29,000	25,121	3,879
Employee Recruitment	3,300	3,300	772	2,528
Employee Physicals	7,800	5,800	3,686	2,114
Vending	-	-	920	(920)
Employees Expense	8,800	6,600	5,501	1,099
Employee Benefit Expense	21,000	18,500	15,705	2,795
Resident Benefit Expense	1,800	1,800	1,585	215
Miscellaneous	2,000	2,000	(37)	2,037
Total General and Administrative	\$ 993,235	\$ 1,015,235	\$ 990,515	\$ 24,720
Employee Benefits				
Payroll Taxes - FICA and Unemployment	\$ 262,000	\$ 260,000	\$ 253,073	\$ 6,927
Group Insurance	590,000	570,000	555,602	14,398
Life Insurance	1,610	1,610	1,292	318
Retirement	280,000	280,000	273,093	6,907
Total Employee Benefits	\$ 1,133,610	\$ 1,111,610	\$ 1,083,060	\$ 28,550
Dietary				
Salaries	\$ 341,700	\$ 336,700	\$ 338,570	\$ (1,870)
Food	293,000	302,000	298,876	3,124
Supplies	31,200	32,700	24,688	8,012
Purchased Services	5,070	4,570	4,590	(20)
Dietary Supplements	37,200	36,700	35,577	1,123
Total Dietary	\$ 708,170	\$ 712,670	\$ 702,301	\$ 10,369

**WEAKLEY COUNTY NURSING HOME
SCHEDULE OF OPERATING EXPENSES**

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget (Over) Under
	Original	Final		
Housekeeping				
Salaries	\$ 169,200	\$ 179,200	\$ 177,221	\$ 1,979
Supplies	37,000	40,000	36,051	3,949
Total Housekeeping	<u>\$ 206,200</u>	<u>\$ 219,200</u>	<u>\$ 213,272</u>	<u>\$ 5,928</u>
Laundry and Linen				
Salaries	\$ 159,600	\$ 153,600	\$ 152,792	\$ 808
Supplies	13,000	17,000	16,855	145
Linen	15,000	17,000	16,982	18
Purchased Services	-	1,500	-	1,500
Total Laundry and Linen	<u>\$ 187,600</u>	<u>\$ 189,100</u>	<u>\$ 186,629</u>	<u>\$ 2,471</u>
Plant Operation and Maintenance				
Salaries	\$ 60,000	\$ 63,500	\$ 62,874	\$ 626
Gas	35,000	70,000	69,752	248
Electricity	80,000	90,000	94,292	(4,292)
Water and Sewage	33,500	50,000	44,293	5,707
TV Cable/Satellite	8,000	8,500	8,109	391
Maintenance and Repairs	18,000	18,000	20,912	(2,912)
Supplies	7,000	8,000	19,642	(11,642)
Purchased Services	45,000	65,000	35,212	29,788
Vehicle Maintenance	4,500	11,100	5,208	5,892
Facility Improvements	45,000	50,000	-	50,000
Miscellaneous	2,000	2,000	-	2,000
Total Plant Operation and Maintenance	<u>\$ 338,000</u>	<u>\$ 436,100</u>	<u>\$ 360,294</u>	<u>\$ 75,806</u>
Medical and Nursing				
Salaries - RN	\$ 235,000	\$ 257,000	\$ 253,508	\$ 3,492
Salaries - LPN	824,900	874,900	872,000	2,900
Salaries - Aides, Orderlies	1,136,500	1,146,500	1,143,496	3,004
Supplies	138,000	195,400	189,615	5,785
Purchased Services	15,000	15,000	13,526	1,474
Total Medical and Nursing	<u>\$2,349,400</u>	<u>\$2,488,800</u>	<u>\$2,472,145</u>	<u>\$ 16,655</u>

**WEAKLEY COUNTY NURSING HOME
SCHEDULE OF OPERATING EXPENSES**

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget (Over) Under
	Original	Final		
Recreational Activities				
Salaries	\$ 43,000	\$ 43,000	\$ 41,474	\$ 1,526
Supplies	3,600	2,600	1,944	656
Special Events	3,500	4,500	4,145	355
Total Recreational Activities	\$ 50,100	\$ 50,100	\$ 47,563	\$ 2,537
Social Service				
Salaries	\$ 34,000	\$ 41,500	\$ 41,752	\$ (252)
Supplies	350	350	264	86
Total Social Services	\$ 34,350	\$ 41,850	\$ 42,016	\$ (166)
Medicare/Medicaid II Expenses				
Contract - Physical Therapy	\$ 220,000	\$ 115,000	\$ 107,660	\$ 7,340
Contract - Speech Therapy	85,000	60,000	53,541	6,459
Contract - Occupational Therapy	128,000	68,694	43,711	24,983
Billable Medical Supplies	7,500	7,500	6,606	894
Pharmacy/Legend Drugs	206,694	295,000	283,559	11,441
Lab - Medicare	10,000	17,000	14,614	2,386
X-Ray - Medicare	7,000	9,000	7,402	1,598
Other Insurance - Physical Therapy	12,000	500	139	361
Other Insurance - Speech Therapy	3,200	200	-	200
Other Insurance - Occupational Therapy	18,000	500	-	500
Medical Supplies - Medicaid II	6,500	500	-	500
MCA - Contract - Physical Therapy	270,000	335,000	329,757	5,243
MCA - Contract - Speech Therapy	114,000	125,000	134,242	(9,242)
MCA - Contract - Occupational Therapy	212,000	228,000	230,139	(2,139)
Total Medicare Expenses	\$1,299,894	\$1,261,894	\$1,211,370	\$ 50,524
Depreciation				
Land Improvements	\$ -	\$ -	\$ 2,566	\$ (2,566)
Buildings	-	-	74,846	(74,846)
Motor Vehicles	-	-	1,433	(1,433)
Equipment	46,000	63,000	57,901	5,099
Total Depreciation	\$ 46,000	\$ 63,000	\$ 136,746	\$ (73,746)



Certified Public Accountants

16208 Highland Drive
McKenzie, TN 38201

Telephone: (731) 352-3513
(800) 273-3241
Fax: (731) 352-2919

Members of:
American Institute of Certified Public Accountants
Governmental Audit Quality Center – AICPA
Tennessee Society of Certified Public Accountants
Center for Public Company Audit Firms
Employee Benefit Plan Audit Quality Center – AICPA

www.atacpa.net

Independent Auditors' 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*

September 24, 2009

Board of Directors
Weakley County Nursing Home
Dresden, Tennessee

We have audited the accompanying financial statements of the Weakley County Nursing Home, a component unit of Weakley County, Tennessee, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 24, 2009. 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 Weakley 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 the Weakley County Nursing Home's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Weakley County Nursing Home's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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 more than a remote likelihood that a misstatement of the Nursing Home's financial statements that is more than inconsequential will not be prevented or detected by the Nursing Home's internal control. We consider the deficiency described in the accompanying schedule of findings and recommendations to be a significant deficiency in internal control over financial reporting.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

Milan, TN
McKenzie, TN
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Weakley County Nursing Home
September 24, 2009

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 the Nursing Home's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Weakley 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 herein under *Government Auditing Standards*.

Weakley County Nursing Home's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit the Nursing Home's response and, accordingly, we express no opinion on it.

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

Alexander Thompson Arnold PLLC

McKenzie, Tennessee

**WEAKLEY COUNTY NURSING HOME
FINDINGS AND RECOMMENDATIONS**
June 30, 2009

96-1. Segregation of Duties

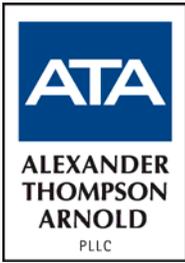
Condition: Due to the size of the staff, the Nursing Home could not fully segregate the record-keeping, custodial, and authorization functions of its internal accounting controls.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: Internal control procedures over every transaction cycle need to be monitored to ensure that each is properly segregated as much as possible between employees.

Response: Management has employed another individual in the administrative area that has aided in the process of segregating accounting functions. The facility will continue to work toward fully segregating accounting and bookkeeping functions that will lessen the risk of errors and irregularities. Management will continue to monitor for any problems that could arise.



Certified Public Accountants

16208 Highland Drive
McKenzie, TN 38201

Telephone: (731) 352-3513
(800) 273-3241
Fax: (731) 352-2919

Members of:

American Institute of Certified Public Accountants
Governmental Audit Quality Center – AICPA
Tennessee Society of Certified Public Accountants
Center for Public Company Audit Firms
Employee Benefit Plan Audit Quality Center – AICPA

www.atacpa.net

September 24, 2009

To the Board of Directors
Weakley County Nursing Home
Dresden, Tennessee 38225

We have audited the financial statements of Weakley County Nursing Home for the year ended June 30, 2009, and have issued our report thereon dated September 24, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 5, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Nursing Home are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. There are no sensitive estimates affecting the Nursing Home's financial statements this year.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

Milan, TN
McKenzie, TN
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Weakley County Nursing Home
September 24, 2009
Page 2

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our 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. Management has corrected all such misstatements.

Disagreements with Management

For purposes 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 Representations

We have requested certain representations from management that are included in the management representation letter dated September 24, 2009.

Management 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 governmental unit'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 Nursing Home's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Board of Directors
Weakley County Nursing Home
September 24, 2009
Page 3

This information is intended solely for the use of the Board of Directors and management of Weakley County Nursing Home and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Alexander Thompson Arnold PLLC
McKenzie, Tennessee