

**JEFFERSON COUNTY NURSING HOME**

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

**FINANCIAL STATEMENTS**

**Years ended June 30, 2010 and 2009  
with  
Independent Auditors' Report**

**JEFFERSON COUNTY NURSING HOME  
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## **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, 2010 and 2009, 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, 2010 and 2009 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, 2010 and 2009, and the respective 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, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson County Nursing Home's financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*McFarland and Gann, P.C.*

January 11, 2011

**JEFFERSON COUNTY NURSING HOME  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Year Ended June 30, 2010**

**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, 2010. 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 decreased by \$197,086, or 7%, for the fiscal year ended June 30, 2010.
- During the fiscal year ended June 30, 2010, the nursing home's operating expenses exceeded the \$9,099,001 operating income by \$210,297 (nonoperating revenues and expenses excluded), as compared to the operating income in the preceding year ended June 30, 2009 in the amount of \$403,244.
- The nursing home's operating revenues increased by 1.6% for the fiscal year ended June 30, 2010; its operating expenses also increased by 8.9%.
- The nursing home added 25 beds with the completion of its "Greenhouse" construction in late May of 2010.

**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, 2010 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, 2010**

The Statements of Net Assets and the Statements of Revenues and Expenses and Changes in 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 a loss of \$210,297; after adding nonoperating revenues and expenses, the total decrease in the nursing home's net assets for the year ended June 30, 2010 was \$197,086. 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 - decreased from \$925,160 at June 30, 2009 to \$599,159 at June 30, 2010, a decrease of \$326,001. Operating revenues of the nursing home increased by \$144,374 during 2010. The Medicaid portion of chargeable days for the nursing home for the year ended June 30, 2010 was 29,847 out of a total of 48,419, or 62%. Medicaid revenue continues to constitute a significant portion of the nursing home's operating revenue. Medicare Parts A & B revenue increased by \$144,870 for fiscal year ended June 30, 2010.

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, 2010**

In order to compete with other nursing homes and assisted living facilities, our nursing home is continually evaluating our services and making changes in order to give the very best care to our residents. Historically, Jefferson County Nursing Home has had a waiting list of persons awaiting admission to the home. With that in mind, we began a construction project a couple of years ago which added 25 beds to our facility effective May 24, 2010. Our vision for this addition was unique and forward thinking, in that we wanted our new space to be a home where the residents enjoyed an excellent quality of care and life. One of the newest concepts in the nursing home industry is that of Green House homes, which fit with our vision of what we wanted in our bed addition. According to The Greenhouse Project's web-site, the Green House model is a de-institutionalization effort designed to restore individuals to a home in the community by combining small homes with the full range of personal care and clinical services expected in high-quality nursing homes. Apart from the construction costs, the nursing home has incurred significant expenses in developing this project and implementing the conceptual framework.

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 96.4% for the year ended June 30, 2010, a decrease from the 99.16% occupancy percentage for the year ended June 30, 2009. That decrease was primarily the result of the additional green house beds being filled gradually. Also, 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.

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

**JEFFERSON COUNTY NURSING HOME  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Year Ended June 30, 2010**

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 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). The nursing home's per-diem rate for Medicaid ICF patients was \$154.04 for the year ended June 30, 2010. For Medicaid SNF patients, the per-diem rate for the year ended June 30, 2010 was \$160.79. The per-diem rates for private pay residents in private rooms was \$158.00 for the period July 1, 2009 through October 31, 2009 and \$160.00 for the period November 1, 2009 through June 30, 2010. Per-diem rates for semi-private rooms for private pay residents were \$153.00 (July 1 – October 31, 2009) and \$155.00 (November 1 – June 30, 2010).

Operating costs continued to rise for the year ended June 30, 2010; the largest increases were seen in employee costs, including salaries, health insurance and retirement. These increases were anticipated due to the addition of 25 beds, 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 \$368,635 or 9% for the year ended June 30, 2010. The increase was mainly due to staffing increases for the new addition. The nursing home's expense for providing health insurance coverage for their employees increased by \$51,408 or 6.6%. 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, 2010**

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, 2010 and 2009.

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

	2010	2009
Current and other assets	\$ 3,821,342	\$ 9,064,310
Capital assets	7,350,849	2,293,135
Total assets	<u>11,172,191</u>	<u>11,357,445</u>
Long-term debt outstanding	(7,625,898)	(7,784,086)
Other liabilities	(984,473)	(814,453)
Total liabilities	<u>(8,610,371)</u>	<u>(8,598,539)</u>
Net assets:		
Invested in capital assets, net of related debt	1,810,785	1,817,131
Restricted	151,876	16,615
Unrestricted	599,159	925,160
Total Net Assets	<u>\$ 2,561,820</u>	<u>\$ 2,758,906</u>

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

	2010	2009
Revenue:		
Routine services	\$ 6,536,059	\$ 6,563,638
Medicare - Part A revenue	2,242,486	2,069,049
Medicare - Part B ancillaries	290,622	319,189
Ancillaries - other payers	20,631	10,829
Other	56,733	51,065
Less: bad debts	(27,898)	(38,357)
Total Revenue	<u>9,118,633</u>	<u>8,975,413</u>
Expenses:		
General and administrative	2,206,298	1,996,136
Bed license tax	306,207	300,375
Nursing	3,420,929	3,054,729
Activities and social services	205,285	197,334
Dietary	971,617	944,669
Housekeeping	430,666	391,897
Laundry and linen	25,415	60,381
Plant operation and maintenance	471,030	445,208
Medicare expenses	806,673	748,558
Drugs	303,797	296,802
Depreciation	161,381	115,294
Nonoperating expenses	6,421	6,421
Total Expenses	<u>9,315,719</u>	<u>8,557,804</u>
Increase (Decrease) in Net Assets	<u>\$ (197,086)</u>	<u>\$ 417,609</u>

**JEFFERSON COUNTY NURSING HOME  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Year Ended June 30, 2010**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2010 Jefferson County Nursing Home had \$7,350,849 invested in net capital assets, the majority of which was invested in buildings (\$6,421,498). The remaining capital assets consisted of land, land improvements, and equipment. Net capital assets increased by \$5,057,714 during the year ended June 30, 2010. The increase was net of current year additions and current year depreciation. Capital asset additions during the year ended June 30, 2010 primarily was from the cost of new construction and the equipment and furnishings related to the new space. A more detailed 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, 2010 and 2009 (Table 3) and current year capital asset additions (Table 4).

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

	<u>2010</u>	<u>2009</u>
Land	\$ 7,181	\$ 7,181
Land improvements	52,932	1,904
Buildings	6,421,498	1,172,042
Construction in progress	-	718,972
Motor vehicles	70,685	-
Equipment	<u>798,553</u>	<u>393,036</u>
Totals	<u>\$ 7,350,849</u>	<u>\$ 2,293,135</u>

**Table 4**  
Current Year Additions - at Cost

Building additions	\$ 4,598,575
Land improvements	53,656
Fixed equipment	78,246
Movable equipment	412,292
Transportation equipment	<u>76,326</u>
Total Additions	<u>\$ 5,219,095</u>

**JEFFERSON COUNTY NURSING HOME  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Year Ended June 30, 2010**

**Debt**

At June 30, 2010, the nursing home had \$7,715,000 payable in outstanding bonds plus unamortized bond premium paid in the amount of \$69,086. 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, 2010, including normal accounts payable, salaries payable and vacation leave payable.

**ECONOMIC FACTORS**

Jefferson County Nursing Home received a Medicaid rate increases effective July 1, 2010 which raised the ICF per-diem rate to \$162.75 and the SNF per-diem rate to \$177.66. Management of Jefferson County Nursing Home raised the semi-private and private per-diem rates to \$163.00 and 168.00, respectively, effective October 1, 2010.

**SUBSEQUENT EVENTS**

Jefferson County Nursing Home is continuing with Phase II of construction which will consist of renovations to the Legacy Building. Construction is scheduled to begin during the fiscal year ended June 30, 2011.

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, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 312,680	\$ 547,253
Certificates of deposit	131,206	117,462
Accrued interest receivable	-	1,066
Accounts receivable (net of allowance for doubtful accounts)	732,741	668,361
Inventory	28,760	25,038
Prepaid expense	<u>11,140</u>	<u>10,400</u>
Total current assets	1,216,527	1,369,580
Noncurrent Assets		
Restricted Assets		
Restricted cash - scholarships for employees	16,703	16,615
Restricted cash - construction retainage account	135,173	-
Restricted investments - bond proceeds	<u>2,271,660</u>	<u>7,490,415</u>
Total restricted assets	2,423,536	7,507,030
Capital Assets		
Land	7,181	7,181
Land improvements	100,307	46,651
Buildings	8,459,504	3,141,956
Construction in progress	-	718,972
Motor vehicles	76,326	-
Equipment	<u>1,869,132</u>	<u>1,378,595</u>
Total capital assets	10,512,450	5,293,355
Accumulated depreciation	<u>(3,161,601)</u>	<u>(3,000,220)</u>
Net capital assets	7,350,849	2,293,135
Other Assets		
Land held for investment	4,700	4,700
Deferred charges - bond issue costs	<u>176,579</u>	<u>183,000</u>
Total other assets	<u>181,279</u>	<u>187,700</u>
Total noncurrent assets	<u>9,955,664</u>	<u>9,987,865</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,172,191</u>	<u>\$ 11,357,445</u>

See notes to financial statements.

**JEFFERSON COUNTY NURSING HOME**  
**STATEMENTS OF NET ASSETS**  
**Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Current liabilities payable from current assets		
Accounts payable	\$ 358,048	\$ 215,536
Construction payables	104,940	134,626
Salaries payable	133,305	96,625
Vacation leave payable	129,269	121,228
Accrued payroll taxes	12,045	14,148
Other accrued liabilities	5,440	569
Employee retirement payable	55,600	49,387
Accrued interest payable	27,638	28,113
Current portion of long-term debt	<u>158,188</u>	<u>154,221</u>
Total current liabilities payable from current assets	984,473	814,453
Noncurrent Liabilities		
Long-term debt (less current portion)	<u>7,625,898</u>	<u>7,784,086</u>
Total Liabilities	8,610,371	8,598,539
NET ASSETS		
Invested in capital assets, net of related debt	1,810,785	1,817,131
Restricted	151,876	16,615
Unrestricted	<u>599,159</u>	<u>925,160</u>
Total Net Assets	<u>2,561,820</u>	<u>2,758,906</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 11,172,191</u></b>	<b><u>\$ 11,357,445</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, 2010 and 2009**

	2010	2009
Operating Revenue		
Routine services - private ICF/SNF	\$ 1,627,653	\$ 1,556,389
Routine services - Medicaid ICF	4,481,948	4,714,577
Routine services - Medicaid SNF	119,628	45,613
Routine services - Hospice ICF	202,250	164,389
Routine services - commercial insurance/HMO	104,580	82,670
Medicare - Part A revenue	2,242,486	2,069,049
Medicare - Part B ancillaries	290,622	319,189
Ancillaries - hospice/commercial insurance/HMO	20,631	10,829
Prior period revenue adjustments	16,413	12,897
Bad debts	(27,898)	(38,357)
Employee and visitor meals	12,942	14,181
Telephone	5,077	-
Other income	2,669	3,201
	9,099,001	8,954,627
Total Operating Revenue		
Operating Expenses		
General and administrative	2,206,298	1,996,136
Bed tax	306,207	300,375
Nursing	3,420,929	3,054,729
Activities	102,702	93,371
Social Services	102,583	103,963
Dietary	971,617	944,669
Housekeeping	430,666	391,897
Laundry and linen	25,415	60,381
Plant operation and maintenance	471,030	445,208
Ancillary services expenses	806,673	748,558
Drugs	303,797	296,802
Depreciation	161,381	115,294
	9,309,298	8,551,383
Total Operating Expenses		
Income (Loss) from Operations	(210,297)	403,244
Nonoperating Revenues (Expenses)		
Interest income		
CDs and interest bearing accounts	1,985	9,286
Bond premium amortization	9,221	10,279
Donations - unrestricted	8,426	1,221
Bond interest - deferred charges amortization	(6,421)	(6,421)
	13,211	14,365
Total Nonoperating Revenues (Expenses)		
INCREASE (DECREASE) IN NET ASSETS	(197,086)	417,609
NET ASSETS, BEGINNING OF YEAR	2,758,906	2,341,297
NET ASSETS, END OF YEAR	\$ 2,561,820	\$ 2,758,906

See notes to financial statements.

**JEFFERSON COUNTY NURSING HOME**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2010 and 2009**

	2010	2009
Cash Flows From Operating Activities		
Cash received from residents and third-party payers	\$ 9,013,933	\$ 8,770,878
Cash payments to suppliers for goods and services	(4,018,214)	(3,877,160)
Cash payments to employees for services	(4,285,854)	(3,942,378)
Cash payments for taxes and fees	(652,097)	(608,343)
Cash received from other operating revenue	20,688	17,382
Net Cash Flows Provided By Operating Activities	78,456	360,379
Cash Flows From Noncapital Financing Activities		
Unrestricted donations	8,426	1,221
Net Cash Flows Provided By Noncapital Financing Activities	8,426	1,221
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets, exclusive of capitalized interest and interest earned on bond proceeds	(4,912,163)	(500,854)
Interest earned on bond proceeds	5,889	244,337
Interest paid on bonds	(342,981)	(348,581)
Principal paid on bonds	(145,000)	(140,000)
Net Cash Flows Provided (Used) By Capital and Related Financing Activities	(5,394,255)	(745,098)
Cash Flows From Investing Activities		
Interest income	3,051	8,435
Deposits into bank CDs	(13,744)	(3,341)
Deposit into bond proceeds investment account	(5,889)	(244,337)
Transfers from bond proceeds investment account	5,224,643	653,388
Net Cash Flows Provided By Investing Activities	5,208,061	414,145
Net Increase (Decrease) in Cash and Cash Equivalents	(99,312)	30,647
Cash and Cash Equivalents, Beginning of Year	563,868	533,221
Cash and Cash Equivalents, End of Year	\$ 464,556	\$ 563,868
Cash and Cash Equivalents		
Unrestricted cash	\$ 312,680	\$ 547,253
Restricted cash accounts	151,876	16,615
Total Cash and Cash Equivalents	\$ 464,556	\$ 563,868

See notes to financial statements.

**JEFFERSON COUNTY NURSING HOME**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Reconciliation of Net Income From Operations to		
Net Cash Flows From Operating Activities:		
Income (loss) from operations	\$ (210,297)	\$ 403,244
Adjustments to reconcile net income to net		
cash flow from operating activities:		
Depreciation and amortization	161,381	115,294
Accounts receivable	(64,380)	(166,367)
Inventory	(3,722)	500
Prepaid expense	(740)	(2,614)
Accounts payable	142,512	(20,560)
Salaries payable	36,680	13,342
Vacation leave payable	8,041	6,218
Employee retirement payable	6,213	4,926
Accrued payroll taxes	(2,103)	5,827
Other accrued liabilities	4,871	569
	<u>78,456</u>	<u>360,379</u>
Net Cash Flows Provided By Operating Activities	\$ <u>78,456</u>	\$ <u>360,379</u>

See notes to financial statements.

**JEFFERSON COUNTY NURSING HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009**

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, 2010 and 2009**

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, 2010 and 2009**

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, 2010. State law requires deposits of the nursing home's funds to be insured or collateralized. At June 30, 2010 the nursing home had deposits with the following banks:

First Tennessee Bank	\$ 464,556
BB&T	\$ 62,699
FSG Bank	\$ 11,196
Citizen's National Bank	\$ 57,311

**JEFFERSON COUNTY NURSING HOME  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

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, 2010, no employees received a 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, 2010, the total amount in the investment account consisted of cash in the amount of \$54,067 and municipal bonds and agency securities in the amount of \$2,217,593.

**JEFFERSON COUNTY NURSING HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009**

NOTE D – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 is as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2010</u>
Non-depreciable assets:				
Land	\$ 7,181	\$ -	\$ -	\$ 7,181
Construction in progress	<u>718,972</u>	<u>4,598,575</u>	<u>(5,317,547)</u>	<u>-</u>
Total non-depreciable assets	<u>\$ 726,153</u>	<u>\$ 4,598,575</u>	<u>\$ (5,317,547)</u>	<u>\$ 7,181</u>
Depreciable assets:				
Land improvements	46,651	53,656	-	100,307
Less: accumulated depreciation	<u>(44,748)</u>	<u>(2,629)</u>	<u>-</u>	<u>(47,377)</u>
Net - Land improvements	1,903	51,027	-	52,930
Buildings	3,141,956	5,317,547	-	8,459,503
Less: accumulated depreciation	<u>(1,969,914)</u>	<u>(68,091)</u>	<u>-</u>	<u>(2,038,005)</u>
Net - Buildings	1,172,042	5,249,456	-	6,421,498
Equipment	1,378,595	490,538	-	1,869,133
Less: accumulated depreciation	<u>(985,558)</u>	<u>(85,021)</u>	<u>-</u>	<u>(1,070,579)</u>
Net - Equipment	393,037	405,517	-	798,554
Transportation equipment	-	76,326	-	76,326
Less: accumulated depreciation	<u>-</u>	<u>(5,640)</u>	<u>-</u>	<u>(5,640)</u>
Net - Transportation equipment	<u>-</u>	<u>70,686</u>	<u>-</u>	<u>70,686</u>
Total depreciable assets	4,567,202	5,938,067	-	10,505,269
Less total accumulated depreciation	<u>(3,000,220)</u>	<u>(161,381)</u>	<u>-</u>	<u>(3,161,601)</u>
Total net depreciable assets	<u>\$ 1,566,982</u>	<u>\$ 5,776,686</u>	<u>\$ -</u>	<u>\$ 7,343,668</u>
Total net capital assets	<u>\$ 2,293,135</u>	<u>\$ 10,375,261</u>	<u>\$ (5,317,547)</u>	<u>\$ 7,350,849</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 years ended June 30, 2010 and 2009, Jefferson County Nursing Home contributed \$489,619 and \$483,224, respectively, to the plan.

**JEFFERSON COUNTY NURSING HOME  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

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.

**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, 2010 and 2009 totaled \$9,221 and \$10,279, 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 for each of the fiscal years ended June 30, 2010 and 2009.

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, 2010, the total amount in the investment account consisted of cash in the amount of \$54,067 and municipal bonds and agency securities in the amount of \$2,217,593.

**JEFFERSON COUNTY NURSING HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009**

Long-term liability activity for the fiscal year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
General obligation bonds	\$ 7,860,000	\$ -	\$ (145,000)	\$ 7,715,000	\$ 150,000
Bond premium	<u>78,307</u>	<u>-</u>	<u>(9,221)</u>	<u>69,086</u>	<u>8,188</u>
Totals	<u>\$ 7,938,307</u>	<u>\$ -</u>	<u>\$ (154,221)</u>	<u>\$ 7,784,086</u>	<u>\$ 158,188</u>

Future maturities of the aforementioned debt are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Bond Premium Amortization</u>	<u>Interest</u>
2011	\$ 150,000	\$ 8,188	\$ 337,181
2012	160,000	7,179	331,181
2013	165,000	6,171	324,781
2014	175,000	5,186	318,181
2015	180,000	4,200	311,181
2016-2020	1,035,000	11,048	1,435,881
2021-2025	1,290,000	10,383	1,183,356
2026-2030	1,610,000	11,091	866,425
2031-2035	2,010,000	5,074	479,976
2036-2037	<u>940,000</u>	<u>566</u>	<u>62,480</u>
Total	<u>\$ 7,715,000</u>	<u>\$ 69,086</u>	<u>\$ 5,650,623</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 Medicaid room rent revenue for the years ended June 30, 2010 and 2009 was \$4,601,576 and \$4,760,190, respectively.

**JEFFERSON COUNTY NURSING HOME  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**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 (\$ 137.50 and \$133.50 for calendar years 2010 and 2009, 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.

Medicare billings for the nursing home for the years ended June 30, 2010 and 2009 totaled \$2,533,108 and \$2,388,238, 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, 2010 and 2009**

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 added 25 beds to the facility effective May 24, 2010. The nursing home is beginning Phase II of their construction during the fiscal year ended June 30, 2011. Phase II will involve renovations to the nursing home's Legacy building.

**SUPPLEMENTARY INFORMATION**

**JEFFERSON COUNTY NURSING HOME  
NURSING HOME OFFICIALS  
June 30, 2010**

Board of Directors

Phil Kindred, Chairman

N. M. Hodges, Vice Chairman

E.M. Rogers

Linda Franklin

Steven Chambers

Kenneth Allum, M.D., Chief of Staff, St. Mary's Jefferson Memorial Hospital

Alan Palmieri, Jefferson County Mayor

Administration

Roger L. Mynatt - Administrator

Rebecca D. Woods - Assistant Administrator

**JEFFERSON COUNTY NURSING HOME  
SCHEDULES OF OPERATING EXPENSES  
Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
General and Administrative		
Salaries		
Administrator	\$ 104,997	\$ 102,221
Assistant administrator	67,251	67,356
Administrative staff	169,859	154,920
Information Tech	38,803	-
Payroll taxes	28,203	24,232
Forms and office supplies	25,214	26,436
Telephone	25,821	17,617
License and dues	31,096	13,888
Professional services - other	413	-
Professional services - accounting	11,005	10,329
Insurance		
Employee life insurance	8,777	9,179
Employee health insurance	834,532	783,124
Commercial insurance	84,567	95,238
Workers compensation insurance	104,094	74,201
Retirement	489,619	483,224
Employee physicals	5,847	7,035
Training, seminars, and conferences	10,165	4,217
Travel expense	31,111	13,146
Advertising	6,676	1,899
IT services	30,859	31,921
Other compensation and awards	14,937	39,391
Flowers and gifts	4,616	2,383
Employee background checks	833	681
Minor equipment	27,404	18,417
Equipment rental	4,608	4,248
Postage and delivery	5,089	4,613
Barber and beauty expenses	6,777	-
Miscellaneous expenses	33,125	6,220
	<hr/>	<hr/>
Total General and Administrative	2,206,298	1,996,136

**JEFFERSON COUNTY NURSING HOME  
SCHEDULES OF OPERATING EXPENSES  
Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Bed Tax	\$ 306,207	\$ 300,375
Nursing		
Salaries		
Director of nursing	95,792	78,268
MDS	56,814	55,849
Unit managers	196,668	194,382
Registered nurses	146,750	87,343
Licensed practical nurses	955,477	843,966
Certified nursing assistants	1,435,261	1,360,947
Feeding assistants	47,682	45,135
Payroll taxes	234,029	212,809
Medical director	13,349	14,816
Supplies	238,343	159,654
Podiatry consultant	25	-
Training, seminars, conferences	739	1,560
	<hr/>	<hr/>
Total Nursing	3,420,929	3,054,729
Activities		
Salaries		
Activities director	34,510	30,599
Activities staff	43,143	40,080
Payroll taxes	6,304	5,576
Supplies	18,745	17,116
	<hr/>	<hr/>
Total Activities	102,702	93,371
Social Services		
Salaries		
Social services director	42,477	33,845
Social services staff	52,582	62,776
Payroll taxes	7,524	7,342
	<hr/>	<hr/>
Total Social Services	102,583	103,963

**JEFFERSON COUNTY NURSING HOME  
SCHEDULES OF OPERATING EXPENSES  
Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Dietary		
Salaries		
Dietary supervisor	\$ 34,928	\$ 33,793
Dietary staff	369,895	351,848
Payroll taxes	32,761	31,241
Food	486,316	480,967
Supplies	30,599	31,098
Dietary consultant	13,882	11,476
Minor equipment	<u>3,236</u>	<u>4,246</u>
Total Dietary	971,617	944,669
Housekeeping		
Salaries		
Housekeeping supervisor	33,656	32,115
Housekeeping staff	308,301	299,823
Payroll taxes	27,721	25,735
Supplies	<u>60,988</u>	<u>34,224</u>
Total Housekeeping	430,666	391,897
Laundry and Linen		
Supplies	11,377	38,087
Minor equipment	-	448
Linen and bedding	<u>14,038</u>	<u>21,846</u>
Total Laundry and Linen	25,415	60,381
Plant Operation and Maintenance		
Salaries		
Maintenance supervisor	44,124	42,399
Maintenance staff	51,603	44,273
Payroll taxes	7,245	6,860
Gas	93,210	109,914
Electricity	98,865	98,609
Water and sewer	61,729	55,378
Supplies	90,536	74,134
Minor equipment	10,870	2,395
Pest control	2,577	2,244
Waste disposal	6,806	5,272
Grounds	<u>3,465</u>	<u>3,730</u>
Total Plant Operation and Maintenance	471,030	445,208

**JEFFERSON COUNTY NURSING HOME  
SCHEDULES OF OPERATING EXPENSES  
Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Ancillary Expenses		
Therapy Medicare Part A	\$ 434,169	\$ 390,878
Lab Medicare Part A	15,841	15,966
Other services Medicare Part A	7,811	3,100
HMO/MCO physical therapy	12,038	10,571
HMO/MCO occupational therapy	9,777	10,682
HMO/MCO speech therapy	9,031	5,020
Physical therapy - Part B	102,273	105,591
Occupational therapy - Part B	49,656	56,007
Speech therapy - Part B	69,762	52,730
Hospice physical therapy	-	2,263
Hospice occupational therapy	-	1,613
Hospice speech therapy	642	789
Lab fees	214	127
Ambulance expense	36,402	47,640
X-Ray	8,143	7,241
Transportation	1,904	-
Endoscopic services	3,000	2,500
Respiratory services	46,010	35,840
	<u>806,673</u>	<u>748,558</u>
Total Ancillary Expenses	806,673	748,558
Drugs		
Drugs Part A	261,137	237,021
Drugs Part D	22,615	31,484
Pharmacy consultant	8,443	8,100
Drugs - data processing	-	2,234
Floor stock drugs and supplies	11,602	17,963
	<u>303,797</u>	<u>296,802</u>
Total Drugs	303,797	296,802
Depreciation	<u>161,381</u>	<u>115,294</u>
Total Operating Expenses	<u>\$ 9,309,298</u>	<u>\$ 8,551,383</u>

**JEFFERSON COUNTY NURSING HOME**  
**NURSING HOME STATISTICS**  
**Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Days in fiscal year	365	365
Total resident beds, end of year	160	135
Maximum patient days	50,225	49,275
Chargeable resident days	48,419	48,862
Percent of occupancy on chargeable days	96.40%	99.16%
Total revenue	\$ 9,118,633	\$ 8,975,413
Average income per chargeable day	\$ 188.33	\$ 183.69
Total expenses	\$ 9,315,719	\$ 8,557,804
Average expenses per chargeable day	\$ 192.40	\$ 175.14
Average income per chargeable day	\$ 188.33	\$ 183.69
Average expenses per chargeable day	<u>\$ (192.40)</u>	<u>\$ (175.14)</u>
Average net income per chargeable day	<u>\$ (4.07)</u>	<u>\$ 8.55</u>
Average revenue per day	\$ 24,982	\$ 24,590
Average expenses per day	<u>\$ (25,523)</u>	<u>\$ (23,446)</u>
Average net income per day	<u>\$ (541)</u>	<u>\$ 1,144</u>
Total salaries	\$ 4,330,573	\$ 3,961,938
Average daily salary	\$ 11,865	\$ 10,855
Total cost of meals	\$ 971,617	\$ 944,669
Average cost per meal:		
162,116/163,269 meals served	\$ 5.99	\$ 5.79

**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, 2010 and 2009, and have issued our report thereon dated January 11, 2011. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis..

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, 2011.

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.*

January 11, 2011

**JEFFERSON COUNTY NURSING HOME**  
**SCHEDULE OF AUDIT FINDINGS NOT CORRECTED**  
**June 30, 2010**

*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, 2009 which have not been corrected.