

WEAKLEY COUNTY NURSING HOME

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

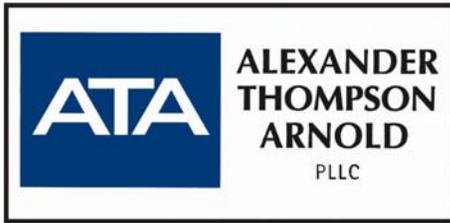
June 30, 2010

WEAKLEY COUNTY NURSING HOME
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WEAKLEY COUNTY NURSING HOME
BOARD MEMBERS
June 30, 2010

Mac Buckley, Chairman
Julia Rich
Larry Taylor
David Rook
David McAlpin
Joe Farmer



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Independent Auditor's Report

September 20, 2010

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, 2010, 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.

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, 2010, 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 20, 2010, 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
McKenzie, TN

Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Weakley County Nursing Home
September 20, 2010

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise Weakley County Nursing Home's financial statements as a whole. The introductory section and other supplementary information section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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, 2010.

FINANCIAL HIGHLIGHTS

- The assets of the Nursing Home exceeded its liabilities at the close of the most recent fiscal year by \$5.5 million (*net assets*). This is an increase of \$633,586 or 13% from last year.
- During the fiscal year ended June 30, 2010, the Nursing Home had net income from operations of \$691,320. This is a decrease of \$295,369 over the net income from operations at year ended June 30, 2009.
- The Nursing Home's operating revenues decreased by 4% for the fiscal year ended June 30, 2010; its operating expenses decreased by .9%.
- The Nursing Home purchased the following capital assets: vinyl siding for the back door, kitchen, shop and garage, vinyl flooring for the north hall, new Hobart dishwasher, new water heater, new condensing unit; 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 \$5.5 million at the close of the most recent fiscal year. The largest portion of the Nursing Home's net assets, 28% representing investment in capital assets, are capital assets used to provide services to citizens.

The remaining balance of net assets, 72%, represents unrestricted net assets. Therefore, the Nursing Home appears fairly strong based on the large percentage of net assets still available.

	2010	2009
Current and Other Assets	\$ 4,391,220	\$ 3,724,259
Capital Assets	1,505,867	1,570,863
Total Assets	5,897,087	5,295,122
Current Liabilities	413,239	440,672
Other Liabilities	29,173	33,361
Total Liabilities	442,412	474,033
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,505,867	1,570,863
Unrestricted	3,948,808	3,250,226
Total Net Assets	\$ 5,454,675	\$ 4,821,089

During the current fiscal year, the Nursing Home's net assets increased by \$633,586. 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 \$633,586.

	2010	2009
Revenues:		
Operating Revenues:		
Medicaid I	\$ 3,457,663	\$ 3,432,336
Private Pay	30,525	78,656
Medicare A	3,027,608	3,625,938
Medicare B	407,582	271,984
Medicaid II	224,356	222,591
Other	919,489	801,095
Nonoperating Revenues:		
Insurance proceeds	4,441	-
Interest Income	17,845	15,308
Total Revenues	\$ 8,089,509	\$ 8,447,908

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

Expenses:	2010	2009
General and Administrative	\$ 951,135	\$ 990,515
Employee Benefits	1,130,553	1,083,060
Dietary	705,551	702,301
Housekeeping	194,073	213,272
Laundry and Linen	186,459	186,629
Plant Operation and Maintenance	344,418	360,294
Medical and Nursing	2,480,497	2,472,145
Recreational Activities	65,197	47,563
Social Services	45,500	42,016
Medicare Expenses	1,133,747	1,211,370
Depreciation	138,773	136,746
Interest Expense	2,020	-
Payments on County Agreement	78,000	64,724
Total expenses	7,455,923	7,510,635
Increase in Net Assets	633,586	937,273
Net assets - beginning of year	4,821,089	3,883,816
Net assets - ending	\$ 5,454,675	\$ 4,821,089

The increase in revenues was primarily due to the increase in rates and an increase in skilled care patients. The decrease in expenses was primarily due to the decrease in salaries due to the decrease in employees.

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

- Budgeted operating revenues differed from the actual revenues by \$46,818. Budgeted operating expenditures differed from actual expenditures by \$456,902.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - At the end of Fiscal Year 2010, the Nursing Home had invested \$1,505,867 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 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, 2010

ASSETS

Current Assets

Cash on Hand and in Bank	\$ 2,080,016	
Money Market Accounts	113,083	
Accounts Receivable	2,074,686	
Inventory - Supplies	80,676	
Prepaid Insurance	10,372	
Uniform Cost Due from Employees	1,159	
Refund Due from Vendor	2,055	
Total Current Assets		4,362,047

Fixed Assets

Land	2,371	
Land Improvements	64,212	
Buildings and Improvements	2,885,381	
Equipment	1,185,800	
Vehicles	55,559	
Other Assets	40,815	
Total Fixed Assets	4,234,138	
Less: Accumulated Depreciation	(2,728,271)	
Net Fixed Assets		1,505,867

Restricted Assets

Cash on Hand and in Bank - Patient Trust Fund		29,173
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Total Assets

5,897,087

LIABILITIES

Current Liabilities

Accounts Payable	148,292	
Nursing Home Tax Payable	25,217	
Accrued Salaries and Wages	152,906	
Employee Retirement and Insurance Payable	26,637	
Accrued Vacation Pay	60,187	
Total Current Liabilities	413,239	

Other Liabilities

Patient Trust Fund	29,173	
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Total Liabilities

442,412

Net Assets

Invested in Capital Assets	1,505,867	
Unrestricted	3,948,809	

Total Net Assets

\$ 5,454,676

WEAKLEY COUNTY NURSING HOME
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2010

Operating Income		
Medicaid I, net of contractual	\$ 2,896,939	
Medicaid I - Patient Liability	560,724	
Private Pay	906,824	
Hospice, net of contractual	30,525	
Medicare A, net of contractual and bad debts	3,027,608	
Medicare B, net of contractual	407,582	
Medicaid II, net of contractual	195,253	
Medicaid II - Patient Liability	29,103	
Meals on Wheels, net of contractual	8,470	
Respite Medicaid	4,195	
Total Operating Income		<u>8,067,223</u>
Operating Expenses		
General and Administrative	951,135	
Employee Benefits	1,130,553	
Dietary	705,551	
Housekeeping	194,073	
Laundry and Linen	186,459	
Plant Operation and Maintenance	344,418	
Medical and Nursing	2,480,497	
Recreational Activities	65,197	
Social Services	45,500	
Medicare Expenses	1,133,747	
Depreciation	138,772	
Total Operating Expenses		<u>7,375,902</u>
Net Income from Operations		<u>691,321</u>
Nonoperating Income (Expense)		
Interest Expense	(2,020)	
Insurance Proceeds	4,441	
Interest Income	17,845	
Payments on County Agreement	(78,000)	
Total Nonoperating Expense		<u>(57,734)</u>
Change in Net Assets		633,587
Net Assets - Beginning of Year		<u>4,821,089</u>
Net Assets - End of Year		<u><u>\$ 5,454,676</u></u>

WEAKLEY COUNTY NURSING HOME
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Cash Flows from Operating Activities:		
Receipts from Patient Charges	\$ 7,558,058	
Payments to Vendors	(3,892,275)	
Payments to Employees and for Employee Benefits	<u>(3,382,631)</u>	
Net Cash Provided by Operating Activities		283,152
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Building Improvements and Equipment	(73,777)	
Payments on County Agreement	<u>(78,000)</u>	
Net Cash Used by Capital and Related Financing Activities		(151,777)
Cash Flows from Investing Activities:		
Insurance proceeds	4,441	
Interest Expense	(2,020)	
Interest Earned	<u>17,845</u>	
Net Cash Provided by Investing Activities		<u>20,266</u>
Net Increase in Cash and Cash Equivalents		151,641
Cash and Cash Equivalents - Beginning of Year		<u>2,041,458</u>
Cash and Cash Equivalents - End of Year		<u><u>\$ 2,193,099</u></u>
Cash and Cash Equivalents:		
Cash on Hand and in Banks	\$ 2,080,016	
Money Market Accounts	<u>113,083</u>	
Total Cash and Cash Equivalents	<u><u>\$ 2,193,099</u></u>	

WEAKLEY COUNTY NURSING HOME
STATEMENT OF CASH FLOWS (CONT.)
For the Year Ended June 30, 2010

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

Net Income from Operations	\$ 691,321	
Adjustment to Reconcile Net Income (Loss):		
Depreciation	138,772	
Changes in Operating Assets and Liabilities:		
Accounts Receivable, net	(509,165)	
Inventory	(12,823)	
Prepaid Insurance	(81)	
Uniform Cost Due from Employees	(557)	
Due from Vendor	3,118	
Accounts Payable	(30,797)	
Accrued Salaries and Wages	5,329	
Employee Retirement and Insurance Payable	990	
Accrued Vacation Pay	<u>(2,955)</u>	
Net Cash Provided by Operating Activities		<u>\$ 283,152</u>

WEAKLEY COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

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, 2010

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, \$92,359 in bad debts was written off.

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.

Date of Management Review - Subsequent events have been evaluated through September 20, 2010, which is the date the financial statements were available to be issued.

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, 2010

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 authorizes 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, 2010, 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, 2010

5. Changes in Capital Assets

Capital assets activity for the year ended June 30, 2010, was as follows:

	Balance at <u>June 30, 2009</u>	<u>Additions</u>	<u>Dispositions</u>	Balance at <u>June 30, 2010</u>
Capital Assets, not being Depreciated				
Land	\$ 2,371	\$ -	\$ -	\$ 2,371
Total Capital Assets Not Being Depreciated	<u>2,371</u>	<u>-</u>	<u>-</u>	<u>2,371</u>
Capital Assets, being Depreciated				
Land Improvements	64,212	-	-	64,212
Building & Improvements	2,865,189	20,192	-	2,885,381
Equipment	1,132,215	53,585	-	1,185,800
Vehicles	55,559	-	-	55,559
Other Assets	<u>40,815</u>	<u>-</u>	<u>-</u>	<u>40,815</u>
Total Capital Assets Being Depreciated	<u>4,157,990</u>	<u>73,777</u>	<u>-</u>	<u>4,231,767</u>
Less Accumulated Depreciation for				
Land Improvements	33,388	2,331	-	35,719
Building & Improvements	1,541,810	78,063	-	1,619,873
Equipment	937,993	54,079	-	992,072
Vehicles	35,492	4,300	-	39,792
Other Assets	<u>40,815</u>	<u>-</u>	<u>-</u>	<u>40,815</u>
Total Accumulated Depreciation	<u>2,589,498</u>	<u>138,773</u>	<u>-</u>	<u>2,728,271</u>
Total Capital Assets, Being Depreciated, Net	<u>1,568,492</u>	<u>(64,996)</u>	<u>-</u>	<u>1,503,496</u>
Total Capital Assets, Net	<u>\$ 1,570,863</u>	<u>\$ (64,996)</u>	<u>\$ -</u>	<u>\$ 1,505,867</u>

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

June 30, 2010

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.

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% 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, 2010, 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, 2010, the Weakley County Nursing Home made contributions to the TCRS in the amount of \$271,465. Weakley County Nursing Home's payroll for employees covered by the TCRS for the year ended June 30, 2010, was \$2,358,517. The total payroll for the year was \$3,388,555. 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, 2010.

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

June 30, 2010

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 non-operating payment to the County for the current year principal and interest.

The Nursing Home borrowed \$300,000, of which all had been repaid as of June 30, 2010. The interest rate on this loan was 4.4% and had a maturity date of October 1, 2010. The loan had no collateral and was recorded on the books of Weakley County.

OTHER SUPPLEMENTARY INFORMATION

WEAKLEY COUNTY NURSING HOME
STATEMENT OF BUDGETARY COMPARISON - BUDGETARY BASIS
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Operating Income				
Medicaid I, net of contractual	\$ 3,316,135	\$ 3,010,212	\$ 2,896,939	\$ (113,273)
Medicaid I - Patient Liability	-	-	560,724	560,724
Hospice , net of contractual	49,316	38,400	30,525	(7,875)
Private Pay	1,438,065	1,576,629	906,824	(669,805)
Medicare A, net of contractual and bad debts	3,412,883	3,480,900	3,027,608	(453,292)
Medicare B, net of contractual	-	-	407,582	407,582
Medicaid II, net of contractual	-	-	195,253	195,253
Medicaid II - Patient Liability	-	-	29,103	29,103
Meals on Wheels, net of contractual	6,205	7,900	8,470	570
Respite Medicaid	-	-	4,195	4,195
Total Operating Income	<u>8,222,604</u>	<u>8,114,041</u>	<u>8,067,223</u>	<u>(46,818)</u>
Operating Expenses - Schedule Attached				
General and Administrative	1,027,745	1,025,275	951,135	(74,140)
Employee Benefits	1,182,610	1,146,280	1,130,553	(15,727)
Dietary	751,780	706,000	705,551	(449)
Housekeeping	227,000	202,000	194,073	(7,927)
Laundry and Linen	196,000	193,000	186,459	(6,541)
Plant Operation and Maintenance	530,705	469,605	344,418	(125,187)
Medical and Nursing	2,572,695	2,572,695	2,480,497	(92,198)
Recreational Activities	52,500	63,100	65,197	2,097
Social Services	43,350	43,350	45,500	2,150
Medicare Expenses	1,270,500	1,274,500	1,133,747	(140,753)
Depreciation	137,000	137,000	138,772	1,772
Total Operating Expenses	<u>7,991,885</u>	<u>7,832,805</u>	<u>7,375,902</u>	<u>(456,903)</u>
Income (Loss) from Operations	<u>230,719</u>	<u>281,236</u>	<u>691,321</u>	<u>410,085</u>
Non-operating Income (Expense)				
Interest Expense	-	-	(2,020)	(2,020)
Insurance Proceeds	-	-	4,441	4,441
Interest Income	13,450	15,150	17,845	2,695
Total Non-operating Income (Expense)	<u>13,450</u>	<u>15,150</u>	<u>20,266</u>	<u>5,116</u>
Income (Loss) Before Transfers	<u>\$ 244,169</u>	<u>\$ 296,386</u>	<u>\$ 711,587</u>	<u>\$ 415,201</u>

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
General and Administrative				
Administrator's Salary	\$ 84,975	\$ 84,975	\$ 85,793	\$ 818
Office Salaries	148,170	165,000	173,774	8,774
Office Supplies	25,000	25,000	22,452	(2,548)
Board Member Expense	8,000	9,500	9,723	223
Licenses and Dues	318,500	318,500	315,216	(3,284)
Professional Services	88,000	88,000	81,849	(6,151)
Professional Training and Education	6,500	10,000	10,783	783
Telephone	21,000	18,000	16,518	(1,482)
Insurance	260,000	230,000	172,765	(57,235)
Advertising	29,000	26,000	22,402	(3,598)
Employee Recruitment	3,300	1,300	824	(476)
Employee Physicals	6,000	5,000	4,001	(999)
Vending	-	-	120	120
Employees Expense	7,000	9,000	8,185	(815)
Employee Benefit Expense	18,500	24,000	19,870	(4,130)
Resident Benefit Expense	1,800	3,000	2,439	(561)
Miscellaneous	2,000	8,000	4,421	(3,579)
Total General and Administrative	\$ 1,027,745	\$ 1,025,275	\$ 951,135	\$ (74,140)
Employee Benefits				
Payroll Taxes - FICA and Unemployment	\$ 270,000	\$ 259,670	\$ 265,554	\$ 5,884
Group Insurance	622,000	610,000	592,356	(17,644)
Life Insurance	1,610	1,610	1,178	(432)
Retirement	289,000	275,000	271,465	(3,535)
Total Employee Benefits	\$ 1,182,610	\$ 1,146,280	\$ 1,130,553	\$ (15,727)
Dietary				
Salaries	\$ 348,000	\$ 333,000	\$ 353,280	\$ 20,280
Food	326,000	285,000	273,369	(11,631)
Supplies	34,000	34,000	31,051	(2,949)
Purchased Services	5,280	7,000	6,975	(25)
Dietary Supplements	38,500	47,000	40,876	(6,124)
Total Dietary	\$ 751,780	\$ 706,000	\$ 705,551	\$ (449)

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

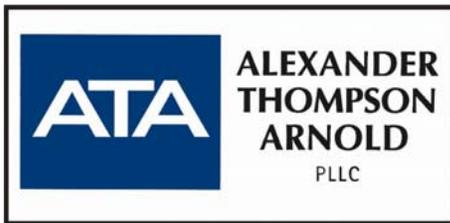
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Housekeeping				
Salaries	\$ 185,000	\$ 165,000	\$ 175,436	\$ 10,436
Supplies	42,000	37,000	18,637	(18,363)
Total Housekeeping	<u>\$ 227,000</u>	<u>\$ 202,000</u>	<u>\$ 194,073</u>	<u>\$ (7,927)</u>
Laundry and Linen				
Salaries	\$ 160,000	\$ 158,000	\$ 156,293	\$ (1,707)
Supplies	18,000	20,000	18,592	(1,408)
Linen	18,000	15,000	11,574	(3,426)
Total Laundry and Linen	<u>\$ 196,000</u>	<u>\$ 193,000</u>	<u>\$ 186,459</u>	<u>\$ (6,541)</u>
Plant Operation and Maintenance				
Salaries	\$ 65,405	\$ 57,405	\$ 58,968	\$ 1,563
Gas	75,000	65,000	57,800	(7,200)
Electricity	97,000	97,000	87,325	(9,675)
Water and Sewage	54,000	42,500	38,221	(4,279)
TV Cable/Satellite	9,000	9,000	7,975	(1,025)
Maintenance and Repairs	19,500	19,500	19,360	(140)
Supplies	8,600	7,000	17,631	10,631
Purchased Services	70,200	55,000	52,975	(2,025)
Vehicle Maintenance	5,000	5,000	4,163	(837)
New Equipment	65,000	80,200	-	(80,200)
Facility Improvements	60,000	30,000	-	(30,000)
Miscellaneous	2,000	2,000	-	(2,000)
Total Plant Operation and Maintenance	<u>\$ 530,705</u>	<u>\$ 469,605</u>	<u>\$ 344,418</u>	<u>\$ (125,187)</u>
Medical and Nursing				
Salaries - RN	\$ 265,000	\$ 265,000	\$ 228,944	\$ (36,056)
Salaries - LPN	901,200	901,200	915,760	14,560
Salaries - Aides, Orderlies	1,180,895	1,180,895	1,136,537	(44,358)
Supplies	210,600	198,600	181,406	(17,194)
Purchased Services	15,000	27,000	17,850	(9,150)
Total Medical and Nursing	<u>\$ 2,572,695</u>	<u>\$ 2,572,695</u>	<u>\$ 2,480,497</u>	<u>\$ (92,198)</u>

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Recreational Activities				
Salaries	\$ 45,000	\$ 54,000	\$ 58,623	\$ 4,623
Supplies	3,000	3,000	1,984	(1,016)
Special Events	4,500	6,100	4,590	(1,510)
Total Recreational Activities	\$ 52,500	\$ 63,100	\$ 65,197	\$ 2,097
Social Service				
Salaries	\$ 43,000	\$ 43,000	\$ 45,148	\$ 2,148
Supplies	350	350	352	2
Total Social Services	\$ 43,350	\$ 43,350	\$ 45,500	\$ 2,150
Medicare/Medicaid II Expenses				
Contract - Physical Therapy	\$ 115,000	\$ 155,000	\$ 272,925	\$ 117,925
Contract - Speech Therapy	60,000	85,000	127,966	42,966
Contract - Occupational Therapy	69,000	82,000	176,420	94,420
Billable Medical Supplies	7,500	7,500	3,851	(3,649)
Pharmacy/Legend Drugs	300,000	260,000	223,549	(36,451)
Lab - Medicare	17,000	19,000	15,378	(3,622)
X-Ray - Medicare	9,000	12,000	10,299	(1,701)
Other Insurance - Physical Therapy	1,000	2,000	1,149	(851)
Other Insurance - Speech Therapy	500	500	1,074	574
Other Insurance - Occupational Therapy	1,000	1,000	741	(259)
Medical Supplies - Medicaid II	500	500	-	(500)
MCA - Contract - Physical Therapy	335,000	305,000	144,631	(160,369)
MCA - Contract - Speech Therapy	125,000	145,000	73,892	(71,108)
MCA - Contract - Occupational Therapy	230,000	200,000	81,872	(118,128)
Total Medicare Expenses	\$ 1,270,500	\$ 1,274,500	\$ 1,133,747	\$ (140,753)
Depreciation				
Land Improvements	\$ 2,000	\$ 2,000	\$ 2,330	\$ 330
Buildings	78,000	78,000	78,063	63
Motor Vehicles	4,000	4,000	4,300	300
Equipment	53,000	53,000	54,079	1,079
Total Depreciation	\$ 137,000	\$ 137,000	\$ 138,772	\$ 1,772



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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 20, 2010

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, 2010, and have issued our report thereon dated September 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Nursing Home's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Weakley County Nursing Home
September 20, 2010

Our consideration of the 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 the 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, 2010

96-1. Segregation of Duties

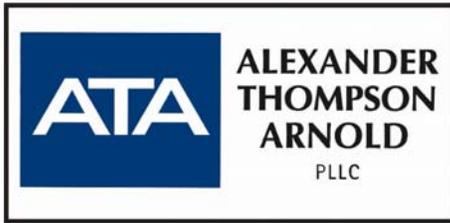
Condition: Due to the size of the staff, the Nursing Home could not fully segregate the record-keeping, custodial, and authorization functions of its internal accounting controls.

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.



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September 20, 2010

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, 2010, and have issued our report thereon dated September 20, 2010. 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 April 26, 2010. 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 2010. 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
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Board of Directors
Weakley County Nursing Home
September 20, 2010
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 20, 2010.

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 20, 2010
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