

**BEDFORD COUNTY NURSING HOME**  
**SHELBYVILLE, TENNESSEE**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**INTRODUCTORY SECTION**

**BEDFORD COUNTY NURSING HOME**

**Shelbyville, Tennessee**

**Board of Trustees and Administrator**

**June 30, 2010**

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Eugene Ray, Chairman

Joe Tillett

John Brown

P.T. Biff Farrar

Phillip Vincent

Wayne Schumann, Administrator

**FINANCIAL SECTION**



# JOB, HASTINGS & ASSOCIATES

*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Bedford County Nursing Home  
Shelbyville, Tennessee

We have audited the accompanying financial statements of Bedford County Nursing Home, a separately reported fund of Bedford 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 Bedford County 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Bedford County Nursing Home fund and do not purport to, and do not, present fairly the financial position of Bedford County, Tennessee, as of June 30, 2010, and the changes in its financial position, or, where applicable, its cash flows for the year 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 Bedford County Nursing Home, a separately reported fund of Bedford County, Tennessee, as of June 30, 2010, and the 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 December 8, 2010 on our consideration of Bedford County Nursing Home's internal control over financial reporting and on 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 should be considered in assessing the results of our audit.

Bedford County Nursing Home has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements. The management's discussion and analysis includes a narrative overview and analysis of financial activities, condensed financial information, analysis of budgetary changes, description of capital asset and long-term debt activity, and a description of currently known facts that are expected to have a material effect on the entity.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Bedford County Nursing Home's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

*Jobe, Hastings & Associates*

Certified Public Accountants

Murfreesboro, Tennessee  
December 8, 2010

**BEDFORD COUNTY NURSING HOME**

**Shelbyville, Tennessee**

**Balance Sheet**

**June 30, 2010**

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<u>ASSETS</u>	
Current Assets-	
Cash	\$ 300,502
Due from Bedford County	45,163
Due from Christian Care Center of Bedford County	41,672
Estimated third-party payor settlements	8,924
TOTAL CURRENT ASSETS	\$ <u>396,261</u>
Assets limited as to use	\$ <u>37,422</u>
Property and Equipment-	
Land	\$ 150,149
Land improvements	24,547
Building and improvements	1,381,256
Equipment	1,155,991
	\$ <u>2,711,943</u>
Less: Accumulated depreciation	<u>(1,664,093)</u>
	\$ <u>1,047,850</u>
TOTAL ASSETS	\$ <u><u>1,481,533</u></u>
<u>LIABILITIES</u>	
Current Liabilities-	
Accounts payable - trade	\$ 3,180
Due to Christian Care Center of Bedford County	16,683
Due to State of Tennessee - unclaimed property	8,559
Due to Bedford County	243,004
TOTAL CURRENT LIABILITIES	\$ <u>271,426</u>
<u>NET ASSETS</u>	
Net Assets -	
Invested in capital assets	\$ 1,047,850
Unrestricted net assets	162,257
	\$ <u>1,210,107</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>1,481,533</u></u>

See notes to financial statements.

**BEDFORD COUNTY NURSING HOME**

**Shelbyville, Tennessee**

**Statement of Revenues, Expenses and Changes in Net Assets**

**For the Year Ended June 30, 2010**

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Operating Revenue -		
Patient service revenue		\$ 572,403
Net allowance for contractual adjustments		(55,240)
	NET PATIENT SERVICE REVENUE	\$ 517,163
Other revenue		449
	TOTAL OPERATING REVENUE	\$ 517,612
Operating Expenses -		
Administrative and general		\$ 473,758
Medical and nursing		229,034
Depreciation		123,982
Employee benefits		82,152
Plant operation and maintenance		57,376
Therapy and ancillary services		56,103
Dietary services		43,805
Bed license fees		19,840
Housekeeping services		12,974
Laundry and linen		11,523
Medical records		5,002
Social services		4,310
Other operating expenses		2,223
Recreational activities		67
	TOTAL OPERATING EXPENSES	\$ 1,122,149
	OPERATING LOSS	\$ (604,537)
Non-Operating Revenue (Expense) -		
Interest income		\$ 60
	CHANGE IN NET ASSETS	\$ (604,477)
	NET ASSETS AT BEGINNING OF YEAR	1,814,584
	NET ASSETS AT END OF YEAR	\$ 1,210,107

See notes to financial statements.

**BEDFORD COUNTY NURSING HOME**

**Shelbyville, Tennessee**

**Statement of Cash Flows**

**For the Year Ended June 30, 2010**

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Cash Flows from Operating Activities -		
Received from residents and third-party payors	\$	1,165,431
Received from others		449
Paid to suppliers for goods and services		(779,368)
Paid to employees for services		(458,138)
		<u>(71,626)</u>
	NET CASH USED FOR OPERATING ACTIVITIES	\$
		<u>(71,626)</u>
Cash Flows from Capital and Related Financing Activities -		
Purchases of equipment and building improvements	\$	<u>(2,878)</u>
	NET CASH USED FOR CAPITAL AND RELATED FINANCING	
ACTIVITIES		\$ <u>(2,878)</u>
Cash Flows from Investing Activities -		
Interest received on bank deposits	\$	<u>60</u>
	NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ <u>60</u>
	NET DECREASE IN CASH	\$ (74,444)
Cash, July 1, 2009		<u>412,368</u>
	CASH, JUNE 30, 2010	<u><u>337,924</u></u>

See notes to financial statements.

**BEDFORD COUNTY NURSING HOME**

**Shelbyville, Tennessee**

**Statement of Cash Flows (continued)**

**For the Year Ended June 30, 2010**

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Reconciliation of Operating Loss to Net Cash Used For Operating Activities -	
Operating loss	\$ (604,537)
Adjustments to reconcile operating loss to net cash	
flows from operating activities -	
Depreciation	123,982
Provision for bad debts	66,454
Changes in assets and liabilities -	
Decrease in patient accounts receivable	594,029
Increase in due from Bedford County	(45,163)
Increase in due from Christian Care of Bedford County	(41,672)
Decrease in estimated third-party payor settlement	54,239
Decrease in prepaid expenses	86,892
Decrease in inventory	8,056
Decrease in accounts payable - trade	(178,181)
Increase in due to Christian Care of Bedford County	16,683
Increase in due to State of Tennessee - unclaimed property	8,559
Decrease in accrued salaries and wages payable	(151,675)
Decrease in accrued expenses	(1,811)
Decrease in accrued payroll taxes and employee withholdings	(7,481)
NET CASH USED FOR OPERATING ACTIVITIES	\$ <u>(71,626)</u>
Reconciliation to Cash presented in Balance Sheet -	
Cash	\$ 300,502
Cash - memorial fund (see Note J)	37,422
	\$ <u>337,924</u>

See notes to financial statements.

## **BEDFORD COUNTY NURSING HOME**

**Shelbyville, Tennessee**

### **Notes to Financial Statements**

**June 30, 2010**

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#### Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Bedford County Nursing Home (the Nursing Home) is presented to assist in understanding the Nursing Home's financial statements. The financial statements and notes are representations of the Nursing Home's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles.

**Financial Reporting Entity** - Bedford County Nursing Home was organized by the Bedford County Board of Commissioners and is a separately reported fund of Bedford County, Tennessee (the County). The Nursing Home is administered by a Board of Trustees appointed by the County Commission. The County has authorized the Board of Trustees to manage the operations of the Nursing Home. The Nursing Home may not issue bond debt without the County's approval. The Nursing Home is not a legal entity separate and apart from the County and, accordingly, it is blended as an enterprise fund as part of the financial statements of the County.

At June 30, 2010, there were related receivables or payables between Bedford County and the Nursing Home as described in Note H.

**Basis of Presentation** - The financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The Nursing Home has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that Use Proprietary Fund Accounting*, to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

The accounting and financial reporting treatment applied to the Nursing Home is determined by its measurement focus. The transactions of the Nursing Home are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e. total assets net of total liabilities) are segregated into invested in capital assets, net of related debt and unrestricted components.

**Cash Flow – Cash and Cash Equivalents** - Bedford County Nursing Home presents its cash flow statement using the direct method. For purposes of cash flow presentation, the Nursing Home considers cash in operating bank accounts, cash on hand, and certificates of deposit, which have original maturities of three months or less as cash and cash equivalents. There were no cash equivalents at June 30, 2010.

**Patient Service Revenue and Accounts Receivable** - Patient service revenue is reported at the estimated net realizable amounts from residents, third-party payers, and others for services rendered. Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement. The Nursing Home does not have a formal policy regarding accrual of interest income on past due receivables.

**Allowance for Doubtful Accounts** - The Nursing Home uses the allowance method to account for uncollectible accounts receivable. Management considers the following factors when determining the collectibility of specific patient accounts: patient's credit-worthiness, past transaction history with the patient, current economic and industry trends, and changes in the patient's payment terms. If the financial condition of the nursing home's patients were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Accounts receivable are continually evaluated to identify amounts that are uncollectible and those amounts are written off when all collection attempts have been exhausted. Management has written off all accounts receivable with remaining balances at June 30, 2010.

**BEDFORD COUNTY NURSING HOME**

**Shelbyville, Tennessee**

**Notes to Financial Statements (continued)**

**June 30, 2010**

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Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment - Property and equipment are stated at cost. Generally, purchases in excess of \$500 are capitalized. For financial statement purposes, depreciation of property and equipment is provided using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the estimated useful life of the equipment. Such amortization is included in depreciation in the financial statements. The general range of useful lives estimated for property and equipment is 3 to 50 years. Maintenance and repairs are charged to operations when incurred. The Nursing Home eliminates the costs and related allowances from the accounts for properties sold or retired, and any resulting gains or losses are included in income.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes - The Nursing Home, as a separately reported fund of Bedford County, is an exempt organization as described in section 501(a) of the United States Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

Operating Revenues and Expenses - The Nursing Home's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its facility. All other revenues and expenses are reported as non-operating revenues and expenses and consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities.

Note B - DISCONTINUED OPERATIONS

Operations of the Nursing Home were transferred to a private company, Christian Care Center, LLC doing business as Christian Care of Bedford County, on August 1, 2009. The assets and liabilities of the Nursing Home at August 1, 2009 were not sold or assumed by Christian Care of Bedford County and remained benefits and obligations of the Nursing Home. Rent is paid by Christian Care of Bedford County, to a separate fund of the County. During the transition of operations, certain amounts were paid by the Nursing Home, but were later determined to be obligations of Christian Care of Bedford County. In addition a collection made by Christian Care of Bedford County, was determined to be an asset of the Nursing Home. The total amount due from Christian Care of Bedford County, at June 30, 2010 was \$41,671. Third party payments continued to be deposited into the Nursing Home's cash account after the transfer of operations. As a result the Nursing Home had a due to Christian Care of Bedford County at June 30, 2010 of \$16,683. It is the intention of the County to transfer the entire net assets of the Nursing Home fund into another fund of the County subsequent to June 30, 2010.

Note C - CASH AND CASH EQUIVALENTS

Credit Risk - The Nursing Home is authorized to make investments in bonds, notes or treasury bills of the United States, Federal Loan Bank bonds, Federal Home Loan Bank notes and bonds, Federal National Mortgage Association notes and debentures, banks or cooperative debentures, or any of its other agencies, or obligations guaranteed as to principal and interest by the United States or any of its agencies with a maturity not greater than one year, or in the pooled investment fund established under Tennessee law.

During the year ended June 30, 2010, the board of trustees chose to limit the investment of funds to demand deposits at banking institutions.

At June 30, 2010, the carrying amount of cash deposits was \$329,365 and the bank balance was \$341,249. At June 30, 2010, the entire bank balance was covered by federal depository insurance, or by collateral held in the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the members of the pool if the value of collateral is inadequate to cover a loss.

**BEDFORD COUNTY NURSING HOME**

**Shelbyville, Tennessee**

**Notes to Financial Statements (continued)**

**June 30, 2010**

Note C - CASH AND CASH EQUIVALENTS (continued)

Interest Rate Risk and Concentration of Credit Risk - The Nursing Home does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The Nursing Home places no limit on the amount it may invest in any one issuer.

Note D - CAPITAL ASSETS

Capital assets are summarized as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions/ Other</u>	<u>June 30, 2010</u>
Capital assets, not being depreciated				
Land	\$ 150,149			\$ 150,149
Subtotal	<u>\$ 150,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,149</u>
Capital assets, being depreciated -				
Land improvements	\$ 24,547			\$ 24,547
Building and improvements	1,381,256			1,381,256
Departmental equipment	724,300	\$ 1,545		725,845
Fixed equipment	330,753			330,753
Dietary equipment	99,393			99,393
Subtotal	<u>\$ 2,560,249</u>	<u>\$ 1,545</u>	<u>\$ -</u>	<u>\$ 2,561,794</u>
Less accumulated depreciation -				
Land improvements	\$ (24,547)			\$ (24,547)
Building and improvements	(804,947)	\$ (44,050)		(848,997)
Departmental equipment	(408,529)	(51,357)		(459,886)
Fixed equipment	(282,909)	(9,396)		(292,305)
Dietary equipment	(19,179)	(19,179)		(38,358)
Subtotal	<u>\$ (1,540,111)</u>	<u>\$ (123,982)</u>		<u>\$ (1,664,093)</u>
Capital assets, being depreciated, net	<u>\$ 1,020,138</u>	<u>\$ (122,437)</u>		<u>\$ 897,701</u>
Total capital assets, net	<u>\$ 1,170,287</u>	<u>\$ (122,437)</u>	<u>\$ -</u>	<u>\$ 1,047,850</u>

Depreciation expense for the year ended June 30, 2010 was \$123,982.

Note E - PENSION PLAN

Employees of Bedford County 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). The retirement plan for Bedford County Nursing Home was included in the total retirement program for Bedford County. As of August 1, 2009, all employees of Bedford County Nursing Home were terminated as County employees and became employees of Christian Care of Bedford County. In addition the former Bedford County Nursing Home employees were no longer participants in the pension plan. Bedford County Nursing Home has no further obligations to the pension plan. Total contributions to the plan by the Nursing Home for the year ended June 30, 2010 amounted to \$17,749. Bedford County required employees to contribute 5.0 percent of earnable compensation and Bedford County is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2010 was 5.31% of annual covered payroll.

Note F - RISK MANAGEMENT

Risks related to the operation of the Nursing Home are managed through the purchase of commercial insurance policies. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Information related to insurance coverage is as follows:

**BEDFORD COUNTY NURSING HOME**

**Shelbyville, Tennessee**

**Notes to Financial Statements (continued)**

**June 30, 2010**

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Note F - RISK MANAGEMENT (continued)

Extended Reporting Period Coverage - The Nursing Home purchased a five year extended reporting period option for its general liability and excess liability policies. The entire premium for the two policies has been recognized in the current year.

Note G - HEALTH CARE REGULATIONS

The health care industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as repayments for patient services previously billed. Management believes that the Nursing Home is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Note H - RELATED PARTY TRANSACTIONS

In a prior year, certain improvements were made to the facility that was financed through an advance from Bedford County. The remaining balance due the County as of June 30, 2010 is \$243,004.

The County maintains possession of funds amounting to \$37,422 for the Nursing Home's designated memorial fund. This amount is presented in the financial statements as "Assets limited as to use" (see Note J).

The County sold certain inventory and supplies of the Nursing Home to Christian Care of Bedford County, and deposited the funds into another fund of the County. The total proceeds from the sale of the assets due from the County at June 30, 2010 were \$45,671.

Note I - LITIGATION

The Nursing Home is subject to claims and suits which arise in the ordinary course of business. In November of 2008, a resident died as a result of falls and alleged acts of negligence. A complaint was filed by the resident's estate. In the opinion of management, the ultimate resolution of such pending legal proceedings has been adequately provided for through commercial insurance.

Note J - ASSETS LIMITED AS TO USE

Certain asset amounts have been presented in the financial statements as limited as to their use. The details of these amounts are as follows:

Cash in Memorial Fund	\$ <u>37,422</u>
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Note K - DESIGNATED UNRESTRICTED NET ASSETS

Certain asset amounts have been internally designated by the board of directors. The details of these amounts are as follows:

Cash in Memorial Fund (See Note J)	\$ <u>37,422</u>
Designated Unrestricted Net Assets	\$ 37,422
Undesignated Unrestricted Net Assets	124,835
Unrestricted Net Assets	\$ <u>162,257</u>

Note L - SUBSEQUENT EVENT

Subsequent to year end the Nursing Home paid Bedford County \$243,004 for the balance due to the County for improvements made to the facility in a prior year.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# **JOB, HASTINGS & ASSOCIATES**

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Joel H. Jobe (1944 – 2006)

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**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Bedford County Nursing Home  
Shelbyville, Tennessee

We have audited the financial statements of Bedford County Nursing Home, a separately reported fund of Bedford County, Tennessee, as of and for the year ended June 30, 2010 which comprise Bedford County Nursing Home's basic financial statements, and have issued our report thereon dated December 8, 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 Bedford 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 Bedford County Nursing Home's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bedford 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [2010-1], [2010-2], [2010-3], [2010-4], [2010-5], [2010-6], [2010-7]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bedford 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*.

This report is intended solely for the information and use of the board of trustees of Bedford County Nursing Home, management, state and federal audit agencies, and Bedford County and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

*Jobe, Hastings & Associates*

Certified Public Accountants

Murfreesboro, Tennessee  
December 8, 2010

**BEDFORD COUNTY NURSING HOME**

**Schedule of Findings and Responses**

**Year Ended June 30, 2010**

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**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**2010-1**

*Condition:* Cash was materially misstated and required a material audit adjusting entry. In addition, the patient trust and related liability were still on the balance sheet, even though the bank account had been transferred to Christian Care of Bedford County.

*Criteria:* The design and operation of internal control should be sufficient to allow appropriate personnel, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. Underlying accounts records should agree and be reconciled to supporting accounting information.

*Effect:* Unreconciled cash balances were materially misstated.

*Recommendation:* Management should perform or review bank reconciliations to each account on a timely basis.

*Response:* The Bedford County Nursing Home is no longer in operation. As of August 1, 2009 the business was leased to Christian Care Center, LLC and is doing business as Christian Care Center of Bedford County. As a result of the transfer of operation, new management systems have been put in place and will correct the issue.

**2010-2**

*Condition:* Patient accounts receivable and third party settlement collections were not posted against the respective accounts receivable accounts. Since no bank reconciliations were performed subsequent to July 31, 2009, no controls were in place to identify and correct the unrecorded activity.

*Criteria:* The design and operation of internal control should be sufficient to allow appropriate personnel, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. Underlying accounts records should agree and be reconciled to supporting accounting information.

*Effect:* The bad debt expense (accounts receivable prior to write-off) and third party settlement accounts were materially misstated.

*Recommendation:* Management should perform or review bank reconciliations to each account on a timely basis.

*Response:* The Bedford County Nursing Home is no longer in operation. As of August 1, 2009 the business was leased to Christian Care Center, LLC and is doing business as Christian Care Center of Bedford County. As a result of the transfer of operation, new management systems have been put in place and will correct the issue.

**BEDFORD COUNTY NURSING HOME**

**Schedule of Findings and Responses (continued)**

**Year Ended June 30, 2010**

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**FINDINGS – FINANCIAL STATEMENTS AUDIT (continued)**

**2010-3**

*Condition:* A prepaid State of Tennessee bed tax had been carried forward from prior years, but was not considered when the transfer of operations occurred. In addition the Nursing Home paid a bed tax payment for what was thought to be August 2009; however the Nursing Home had no obligation for this month of operations.

*Criteria:* Only expenses that are obligations and assets that are rights of the entity should be recorded.

*Effect:* A receivable from Christian Care of Bedford County was materially misstated and income was understated.

*Recommendation:* Accounts should be reviewed for propriety as rights and obligations of the entity.

*Response:* The Bedford County Nursing Home is no longer in operation. As of August 1, 2009 the business was leased to Christian Care Center, LLC and is doing business as Christian Care Center of Bedford County. As a result of the transfer of operation, new management systems have been put in place and will correct the issue.

**2010-4**

*Condition:* Bedford County sold inventory and supplies on hand at July 31, 2009 to Christian Care Center of Bedford County, but deposited the proceeds into another fund of the County.

*Criteria:* Only expenses that are obligations and assets that are rights of the entity should be recorded.

*Effect:* A due from Bedford County was materially misstated and income was understated.

*Recommendation:* Accounts should be reviewed for propriety as rights and obligations of the entity.

*Response:* The Bedford County Nursing Home is no longer in operation. As of August 1, 2009 the business was leased to Christian Care Center, LLC and is doing business as Christian Care Center of Bedford County. As a result of the transfer of operation, new management systems have been put in place and will correct the issue.

**2010-5**

*Condition:* Prior year prepaid insurance had not been recognized in the current year. In addition a payment was made to pay for a 5 year tail insurance policy; however this transaction was not reflected in the accounting records.

*Criteria:* Expenses that are obligations and only assets that are rights of the entity should be recorded.

**BEDFORD COUNTY NURSING HOME**

**Schedule of Findings and Responses (continued)**

**Year Ended June 30, 2010**

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**FINDINGS – FINANCIAL STATEMENTS AUDIT (continued)**

**2010-5 (continued)**

*Effect:* Prepaid assets, expenses, and cash were materially misstated.

*Recommendation:* Accounts should be reviewed for propriety as rights and obligations of the entity.

*Response:* The Bedford County Nursing Home is no longer in operation. As of August 1, 2009 the business was leased to Christian Care Center, LLC and is doing business as Christian Care Center of Bedford County. As a result of the transfer of operation, new management systems have been put in place and will correct the issue.

**2010-6**

*Condition:* Payroll related accruals were not evaluated as to reasonableness subsequent to the transfer of operations to Christian Care Center of Bedford County.

*Criteria:* Expenses that are obligations of the entity should be recorded.

*Effect:* Payroll related accruals had balances even though the Nursing Home had no employee subsequent to July 31, 2009.

*Recommendation:* Accounts should be reviewed for propriety as rights and obligations of the entity.

*Response:* The Bedford County Nursing Home is no longer in operation. As of August 1, 2009 the business was leased to Christian Care Center, LLC and is doing business as Christian Care Center of Bedford County. As a result of the transfer of operation, new management systems have been put in place and will correct the issue.

**2010-7**

*Condition:* Management did not evaluate the patient accounts receivables with remaining balances at June 30, 2010 from activity prior to August 1, 2009.

*Criteria:* Accounts receivable should be reviewed for the valuation as an asset of the entity.

*Effect:* Patient accounts receivable contained accounts that were considered uncollectible. As a result the accounts receivable and income of the Nursing Home were materially misstated.

*Recommendation:* Patient accounts should be reviewed to ensure that they are properly valued as continued assets of the entity.

*Response:* The Bedford County Nursing Home is no longer in operation. As of August 1, 2009 the business was leased to Christian Care Center, LLC and is doing business as Christian Care Center of Bedford County. As a result of the transfer of operation, new management systems have been put in place and will correct the issue.