

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Financial Statements and Supplemental Schedules

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)



LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

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LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Jefferson County Nursing Home
Dandridge, Tennessee

We have audited the accompanying statements of net assets of Jefferson County Nursing Home (Nursing Home), a component unit of Jefferson County, Tennessee, as of June 30, 2011, and the related statements of revenue, expenses and changes in net assets and cash flows for the year then ended. 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. The financial statements of Jefferson County Nursing Home as of June 30, 2010, were audited by other auditors whose report dated January 11, 2011, expressed an unqualified opinion on those statements.

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.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of Jefferson County Nursing Home as of June 30, 2011, and the results of its operations and its cash flows 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 a report dated November 4, 2011 on our consideration of the 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 2011 audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The 2011 supplemental schedules are presented for purposes of additional analysis and are 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 2011 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Nursing Home's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Raffinore Black Morgan & Cain, PC

Knoxville, Tennessee

November 4, 2011

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Management's Discussion and Analysis

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As management of Jefferson County Nursing Home ("JCNH"), we offer readers of the financial statements this narrative overview and analysis of the financial performance during the years ended June 30, 2011, 2010 and 2009. Please read this analysis in conjunction with JCNH's financial statements.

FINANCIAL HIGHLIGHTS

JCNH's net assets decreased by \$143,636 and \$197,086, for the years ended June 30, 2011 and 2010, respectively. Net assets increased by \$417,609 for year ended June 30, 2009.

JCNH produced income from operations of \$191,530 for year ended June 30, 2011; a loss from operations of \$201,871 for year ended June 30, 2010 and income from operations of \$403,244 of year ended June 30, 2009.

Operating revenues increased by 26.2% and 1.6% for years ended June 30, 2011 and 2010, respectively. Operating expenses increased 21.4% and 8.9% for years ended June 30, 2011 and 2010.

The majority of the revenue and expense increases are a result of the nursing home putting in service 25 new beds with the completion of its "Greenhouse" construction in late May of 2010. The year ended June 30, 2011 had \$334,994 of interest expense on bonds issued to finance the construction, whereas such expense was capitalized as part of the capital asset during year ended June 30, 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 Net Assets, and the Statements of Cash Flows (which begin on page 10) 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 years ended June 30, 2011 and 2010 are taken into account regardless of when cash is received or paid.

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.

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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 operating income of \$191,530 and a loss of \$201,871 for year ended June 30, 2011 and 2010, respectively. After adding nonoperating revenues and expenses, the total decrease in the Nursing Home's net assets for the years ended June 30, 2011 and 2010 was \$143,636 and \$197,086, respectively. 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 or board designations - increased from \$704,099 at June 30, 2010 to \$867,168 at June 30, 2011, an increase of \$163,069. The unrestricted net assets decreased from \$925,160 at June 30, 2009 to \$704,099 at June 30, 2010, a decrease of \$221,061.

Total revenue of the nursing home increased by \$2,383,932, or 26.1%, and \$143,220, or 1.6%, during 2011 and 2010, respectively. This 2011 total revenue increase was primarily due to increased Medicaid revenue of \$882,140 and increased Medicare Parts A & B revenue of \$1,015,570. The Medicaid portion of chargeable days was 33,613 out of a total of 56,141, or 59.9%, for 2011, and was 29,847 out of a total of 48,419, or 61.6%, for 2010. Medicaid revenue was 47.7% and 50.5% of 2011 and 2010 total revenue, respectively, and continues to constitute a significant portion of the nursing home's revenue. The Medicare portion of chargeable days was 8,811 out of a total of 56,141, or 15.7%, for 2011, and was 6,482 out of a total of 48,419, or 13.4%, for 2010. Medicare Parts A & B revenue was 30.9% and 27.8% of 2011 and 2010 total revenue, respectively.

In order to compete with other nursing homes and assisted living facilities, the nursing home is continually evaluating its services and making changes in order to give the very best care to residents. Historically, Jefferson County Nursing Home has had a waiting list of persons awaiting admission to the home. With that in mind, a construction project began a couple of years ago which added 25 beds to the facility effective May 24, 2010. The vision for this addition was unique and forward thinking, in that the new space was to be a home where the residents enjoy 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 the vision for the 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.

Jefferson County Nursing Home is continuing with Phase II of construction, which consists of renovations to the Legacy Building. Construction began 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.

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 increase. This

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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 CAN'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.

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 through adequate staffing by reducing expenses related to staff injuries, and frequent recruiting and training.

Jefferson County Nursing Home's percentage of occupancy was 96.13% for the year ended June 30, 2011, which was a decrease from the 96.40% percentage of occupancy for the year ended June 30, 2010, which had been a decrease from the 99.16% occupancy percentage for the year ended June 30, 2009. The fluctuation in percentage of occupancy was primarily the result of the additional green house beds being filled gradually. Also, as stated earlier, due to the increased frailty for many of the nursing home residents, the residents' life spans after entering the nursing home are not as long as in the past, which can result in an increase in turn-around times on filling available beds, an increase in empty bed days, and a decrease 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 to recover all of these costs. Furthermore, from a financial perspective, the costs associated with the operation of this facility have continued to rise. One such cost has been the increased wage expenses associated with maintaining quality personnel at this facility. The Medicare program created a new revenue stream, which better allows the nursing home to successfully meet the above needs and challenges and offset rising operational costs. Finally, with the demands of the consumers becoming more diverse and to be adequately positioned for future trends, offering a continuum of services is the most prudent strategy for long-term financial stability.

Participation in the Medicaid and Medicare programs requires the nursing home's commitment to following all the rules and regulations promulgated by these government programs. These regulations are ever changing and require the nursing home personnel to continue to learn through

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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. 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 \$162.75 for the year ended June 30, 2011. For Medicaid SNF patients, the per-diem rate for the year ended June 30, 2011 was \$177.66. The per-diem rate for private pay residents in private rooms was \$160.00 for the period July 1, 2010 through September 30, 2010 and \$168.00 for the period October 1, 2010 through June 30, 2011. The per-diem rate for private pay residents in semi-private rooms was \$155.00 for the period July 1, 2010 through September 30, 2010 and \$163.00 for the period October 1, 2010 through June 30, 2011.

Operating costs continued to rise for the year ended June 30, 2011, with the largest increases being 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 retain well-trained competent nursing personnel to sufficiently staff the nursing home. Salaries and wages increased \$974,694, or 22.5%, for the year ended June 30, 2011. 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 \$117,215, or 14.0%. 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).

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The following tables summarize the nursing home's Net Assets (Table 1), and Changes in Net Assets (Table 2) for years ended June 30, 2011, 2010 and 2009:

Table 1
Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 3,275,436	\$ 3,867,447	\$ 9,064,310
Capital assets	<u>7,589,958</u>	<u>7,350,849</u>	<u>2,293,135</u>
Total assets	<u>10,865,394</u>	<u>11,218,296</u>	<u>11,357,445</u>
Long-term debt outstanding	(7,458,719)	(7,625,898)	(7,784,086)
Other liabilities	<u>(988,491)</u>	<u>(1,030,578)</u>	<u>(814,453)</u>
Total liabilities	(8,447,210)	(8,656,476)	(8,598,539)
Net assets:			
Invested in capital assets net of related debt	1,534,289	1,841,018	1,817,131
Temporarily restricted net assets	16,727	16,703	16,615
Undesignated	<u>867,168</u>	<u>704,099</u>	<u>925,160</u>
Total net assets	<u>\$ 2,418,184</u>	<u>\$ 2,561,820</u>	<u>\$ 2,758,906</u>

Table 2
Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenue:			
Routine services	\$ 7,975,987	\$ 6,536,059	\$ 6,563,638
Medicare - Part A revenue	3,308,854	2,242,486	2,069,049
Medicare - Part B ancillaries	239,824	290,622	319,189
Ancillaries - other payables	1,289	20,631	10,829
Other	24,721	56,733	51,065
Less: bad debts	<u>(48,110)</u>	<u>(27,898)</u>	<u>(38,357)</u>
Total Revenue	11,502,565	9,118,633	8,975,413
Expenses:			
General and administrative	2,473,516	2,206,298	1,996,136
bed license tax	356,000	306,207	300,375
Nursing	4,345,856	3,420,929	3,054,729
Activities and social services	228,487	205,285	197,334
Dietary	1,079,435	971,617	944,669
Housekeeping	469,370	430,666	391,897
Laundry & linen	22,612	25,415	60,381
Plant operation and maintenance	553,673	471,030	445,208
Medicare expense	1,023,785	806,673	748,558
Drugs	436,990	303,797	296,802
Depreciation	315,062	161,381	115,294
Interest	334,994	-	-
Nonoperating expenses	<u>6,421</u>	<u>6,421</u>	<u>6,421</u>
Total Expenses	<u>11,646,201</u>	<u>9,315,719</u>	<u>8,557,804</u>
Increase (Decrease) in Net Assets	<u>\$ (143,636)</u>	<u>\$ (197,086)</u>	<u>\$ 417,609</u>

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Management's Discussion and Analysis

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011 Jefferson County Nursing Home had \$7,589,958 invested in net capital assets, the majority of which was invested in buildings (\$6,498,177). The remaining capital assets consisted of land, land improvements, vehicles and equipment. Net capital assets increased by \$239,109 and \$5,057,714 during year ended June 30, 2011 and 2010, respectively. The increase was net of current year additions and current year depreciation. Capital asset additions during year ended June 30, 2011 was primarily from the renovation of the Legacy Building and year ended June 30, 2010 was primarily from the cost of new construction and the equipment and furnishings related to the new Greenhouse 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, 2011, 2010 and 2009 (Table 3) and capital asset additions (Table 4).

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 7,181	\$ 7,181	\$ 7,181
Land improvements	114,513	52,932	1,904
Buildings	6,498,177	6,421,498	1,172,042
Construction in progress	204,137	-	718,972
Motor vehicles	79,554	70,685	-
Equipment	<u>686,396</u>	<u>798,553</u>	<u>393,036</u>
Totals	<u>\$ 7,589,958</u>	<u>\$ 7,350,849</u>	<u>\$ 2,293,135</u>

Table 4
Current Year Additions - at Cost

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Building	\$ 472,004	\$ 4,598,575	\$ 527,771
Land improvements	65,113	53,656	-
Fixed equipment	-	78,246	-
Movable equipment	6,262	412,292	211,494
Transportation equipment	<u>23,840</u>	<u>76,326</u>	<u>-</u>
Total Additions	<u>\$ 567,219</u>	<u>\$ 5,219,095</u>	<u>\$ 739,265</u>

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Debt

At June 30, 2011, the nursing home had \$7,565,000 payable in outstanding bonds plus unamortized bond premium paid in the amount of \$60,898. The bonds were issued on December 2, 2007. The purpose of the bond issue was 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 7 of the financial statements.

The nursing home has other current liabilities due at June 30, 2011, including normal accounts payable, salaries payable and vacation leave payable.

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.

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Statements of Net Assets

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 556,536	\$ 312,680
Certificates of deposit	-	131,206
Patient accounts receivable, less allowance for uncollected accounts of \$40,545 in 2011	839,491	778,846
Inventories	30,820	28,760
Prepaid expenses	<u>7,315</u>	<u>11,140</u>
Total current assets	<u>1,434,162</u>	<u>1,262,632</u>
Restricted assets:		
Cash - scholarships for employees	16,727	16,703
Cash - construction contract retainage	-	135,173
Investments - bond proceeds	<u>1,649,689</u>	<u>2,271,660</u>
Total restricted assets	1,666,416	2,423,536
Property and equipment, net	7,589,958	7,350,849
Land held for investment	4,700	4,700
Bond issuance costs, net of accumulated amortization of \$22,474 and \$16,053 in 2011 and 2010, respectively	<u>170,158</u>	<u>176,579</u>
	<u>\$ 10,865,394</u>	<u>\$ 11,218,296</u>

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Statements of Net Assets

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Liabilities and Net Assets

	<u>2011</u>	<u>2010</u>
Current liabilities:		
Current portion of long-term debt	\$ 167,179	\$ 158,188
Accounts payable	305,062	358,048
Construction costs payables	52,314	104,940
Accrued expenses:		
Salaries and wages	161,056	133,305
Vacation/holiday pay	187,824	129,269
Payroll taxes	21,712	12,045
Employee retirement	17,682	55,600
Interest	27,146	27,638
Other	10,289	5,440
Estimated third-party payor settlements	<u>38,227</u>	<u>46,105</u>
Total current liabilities	988,491	1,030,578
Long-term debt, excluding current portion	<u>7,458,719</u>	<u>7,625,898</u>
Total liabilities	<u>8,447,210</u>	<u>8,656,476</u>
Net Assets:		
Unrestricted:		
Invested in capital assets, net of related debt	1,534,289	1,841,018
Undesignated	867,168	704,099
Temporarily restricted net assets	<u>16,727</u>	<u>16,703</u>
Total net assets	<u>2,418,184</u>	<u>2,561,820</u>
	<u>\$ 10,865,394</u>	<u>\$ 11,218,296</u>

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Statements of Revenue, Expenses and Changes in Net Assets

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Change in unrestricted net assets:		
Operating revenue:		
Patient service revenue, net of provisions for bad debts of \$48,110 and \$27,898 in 2011 and 2010, respectively	\$ 11,470,353	\$ 9,078,313
Other income	<u>25,963</u>	<u>29,114</u>
Total operating revenue	11,496,316	9,107,427
Expenses:		
General and administrative	2,473,516	2,206,297
Tennessee nursing home tax	356,000	306,207
Nursing	4,345,856	3,420,929
Activities	81,687	102,702
Social services	146,800	102,583
Dietary	1,079,435	971,617
Housekeeping	469,370	430,666
Laundry and linen	22,612	25,415
Plant operation and maintenance	553,673	471,030
Ancillary services expenses	1,023,785	806,674
Drugs	436,990	303,797
Depreciation	<u>315,062</u>	<u>161,381</u>
Total expenses	<u>11,304,786</u>	<u>9,309,298</u>
Income (loss) from operations	<u>191,530</u>	<u>(201,871)</u>
Nonoperating revenues (expenses):		
Interest income - investments and interest bearing accounts	11,085	1,897
Bond premium amortization	8,188	9,221
Loss on disposal of capital assets	(13,048)	-
Interest expense	(334,994)	-
Bond issuance cost amortization	<u>(6,421)</u>	<u>(6,421)</u>
Nonoperating revenues (expenses)	<u>(335,190)</u>	<u>4,697</u>
Decrease in unrestricted net assets	(143,660)	(197,174)
Changes in temporarily restricted net assets:		
Interest Income	<u>24</u>	<u>88</u>
Net assets at beginning of year	<u>2,561,820</u>	<u>2,758,906</u>
Net assets at end of year	<u>\$ 2,418,184</u>	<u>\$ 2,561,820</u>

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Statements of Cash Flows

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 11,401,830	\$ 9,013,933
Payments to suppliers and employees	(10,978,041)	(8,304,068)
Other receipts and payments, net	<u>25,963</u>	<u>(622,983)</u>
Net cash provided by operating activities	<u>449,752</u>	<u>86,882</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(150,000)	(145,000)
Interest paid on long-term debt	(337,181)	(342,981)
Purchases of property and equipment	(618,150)	(4,912,163)
Decrease (increase) in cash restricted for construction costs	<u>135,173</u>	<u>(135,173)</u>
Net cash used by capital and related financing activities	<u>(970,158)</u>	<u>(5,535,317)</u>
Cash flows from investing activities:		
Proceeds (purchases) of certificates of deposits	131,206	(13,744)
Proceeds from sale of investments	621,971	5,224,643
Investment income	<u>11,085</u>	<u>2,963</u>
Net cash provided by investing activities	<u>764,262</u>	<u>5,213,862</u>
Increase (decrease) in cash and cash equivalents	243,856	(234,573)
Cash and cash equivalents at beginning of year	<u>312,680</u>	<u>547,253</u>
Cash and cash equivalents at end of year	\$ <u>556,536</u>	\$ <u>312,680</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Income (loss) from operations	\$ 191,530	\$ (201,871)
Adjustments to reconcile income (loss) from operations to cash provided by operating activities:		
Depreciation	315,062	161,381
Provision for bad debts	48,110	27,898
(Increase) decrease in operating assets:		
Patient accounts receivable	(108,755)	(138,383)
Inventories	(2,060)	(3,722)
Prepaid expenses	3,825	(740)
Increase (decrease) in operating liabilities:		
Accounts payable	(52,986)	142,512
Accrued expenses	62,904	53,702
Estimated third-party payor settlements	<u>(7,878)</u>	<u>46,105</u>
Net cash provided by operating activities	\$ <u>449,752</u>	\$ <u>86,882</u>

See accompanying notes to the financial statements.

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Notes to the Financial Statements

June 30, 2011 and 2010

(1) Nature of operations

Jefferson County Nursing Home (Nursing Home) is a political subdivision of Jefferson County, Tennessee (County). The Nursing Home provides long-term health care primarily for the citizens of the County. It is governed, operated and controlled by a five-member board of commissioners who are appointed by the Board of County Commissioners of the County. The 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 the County financially accountable for the Nursing Home. Therefore, the Nursing Home is a discrete component unit of the County for financial reporting purposes.

(2) Summary of significant accounting policies

(a) Basis of presentation

The Nursing Home utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Nursing Home has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) and predecessor standard setting organizations, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

(b) Inventories

Inventories are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market (net realizable value).

(c) Cash, cash equivalents and investments

For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash on hand or in banks and investments with original maturities at date of purchase of less than three months, excluding assets limited as to use.

All of the Nursing Home's cash and cash equivalents and certificates of deposit are covered by federal depository insurance or collateralized by securities held by the financial institutions' trust department in the Nursing Home's name.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Notes to the Financial Statements

June 30, 2011 and 2010

(d) Fair value measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). The Nursing Home had \$131,206 of certificates of deposit at June 30, 2010 that would be classified as Level 2 under the hierarchy above. The Nursing Home does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2011 or 2010.

Financial assets

The carrying amount of financial assets, consisting of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, accrued expenses and current portions of long-term debt approximate their fair value due to their relatively short maturities. Long-term debt is carried at amortized cost, which approximates fair value.

Non-financial assets

The Nursing Home's non-financial assets, which include property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Nursing Home is required to evaluate the non-financial instrument for impairment, a resulting asset impairment would require that the non-financial asset be recorded at the fair value. During the years ended June 30, 2011 and 2010, the Nursing Home did not measure any non-financial assets at fair-value or recognize any amounts in the statements of activities related to changes in fair value for non-financial assets.

(e) Property and equipment

Property and equipment acquisitions are recorded at cost. The Nursing Home capitalizes purchases that cost a minimum of \$500 and have a useful life greater than two years. Assets are depreciated on a straight-line basis over their estimated useful lives as follows: land improvements 10-12 years; buildings and improvements 10-40 years; equipment 4-20 years, and transportation equipment 5-7 years.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Notes to the Financial Statements

June 30, 2011 and 2010

(f) Patient service revenue

The Nursing Home has agreements with third-party payors that provide for payments to the Nursing Home at amounts different from its established rates. Payment arrangements include prospectively determined per diem rates per day and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue is higher by positive contractual adjustments of approximately \$533,000 and \$228,000 for the years ended June 30, 2011 and 2010, respectively.

(g) Costs of borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest costs of \$1,695 and \$342,506 were capitalized during years ended June 30, 2011 and 2010, respectively.

(h) Pension plan

Nursing Home employees are covered under The Tennessee Consolidated Retirement System, a defined benefit plan. The Nursing Home's costs are charged to expense and funded annually.

(i) Compensated absences

The Nursing Home provides its full-time employees with paid days off for holiday, vacation, sick, and bereavement absences. The vacation paid days off begin accruing after one year of service and are based on the table which follows. Such days may be taken only after the employee has earned them. There is no limit on the amount of earned days which may be carried forward if not taken in the year earned. Such liabilities have been accrued in the accompanying balance sheet.

<u>Years of service</u>	<u>Days earned per year</u>
1-10	10
11-20	15
20 or more	20

(j) Risk management

The Nursing Home is exposed to various risks of loss from medical malpractice; torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. Commercial insurance is purchased for claims arising from such matters. The Nursing Home insures for employee health claims through a County plan administered by the State of Tennessee discussed in Note 9.

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(a component unit of Jefferson County)

Notes to the Financial Statements

June 30, 2011 and 2010

(k) Net assets

All resources that are not restricted by donors are included in unrestricted net assets. Resources temporarily restricted by donors for specific purposes are reported as temporarily restricted net assets. When specific purposes are achieved, either through passage of a stipulated time or the purpose for restriction is accomplished, they are classified to unrestricted net assets and reported in the statement of revenues, expenses and changes in net assets. Resources temporarily restricted by donors for additions to land, building and equipment are initially reported as temporarily restricted net assets and are transferred to unrestricted net assets when expended. Donor-imposed restrictions which stipulate that the resources be maintained permanently are reported as permanently restricted net assets. Investment income for the permanently restricted net assets is classified as either temporarily restricted or unrestricted based on the intent of the donor. As of June 30, 2011 and 2010, there were no permanently restricted net assets, while there were temporarily restricted net assets restricted for employee scholarships as discussed in Note 3.

(l) Income taxes

The Nursing Home as a political subdivision of the County is exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Code.

(m) Long-lived assets

Management evaluates the recoverability of its investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

(n) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Reclassifications

Certain reclassifications have been made to the 2010 financial statements in order for them to conform to the 2011 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Notes to the Financial Statements

June 30, 2011 and 2010

(p) Events occurring after reporting date

The Nursing Home has evaluated events and transactions that occurred between June 30, 2011 and November 4, 2011, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Restricted assets

Cash in the employee scholarship fund is available to provide scholarships to qualifying employees. Certain donations received are designated to be used for higher education of employees. 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. No employees received a scholarship during years ended June 30, 2011 and 2010.

The County issued \$8,000,000 in general obligation bonds to fund construction of an addition to the nursing home as described in Note 7. The net proceeds from those bonds of \$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 remaining bond proceeds are primarily invested in municipal bonds and federal agency obligations. As of June 30, 2011 and 2010, the investments consisted of cash in the amount of \$158,455 and \$54,067, state and municipal bonds of \$101,248 and \$517,623, and U.S. federal agency securities of \$1,389,986 and \$1,699,970, respectively.

Cash held in the construction contract retainage represents a trust account established for the benefit of the construction contractor to set aside funds for the future payment of retainage withheld until earned by the contractor under the terms of the contract.

(4) Third-party reimbursement programs

The Nursing Home receives revenue under various third-party reimbursement programs which include Medicare, Medicaid, and other third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between the Nursing Home's billings at its established rates and the amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent tentative or final settlements. There were no adjustments to revenue resulting from tentative or final settlements to estimated reimbursement amounts for the years ended June 30, 2011 and 2010.

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(a component unit of Jefferson County)

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June 30, 2011 and 2010

(a) Medicare

The Nursing Home is paid for substantially all services rendered to Medicare program beneficiaries for skilled nursing care under prospectively determined case-mix rates. Those rates vary according to a classification system that is based on a medical assessment of the rehabilitation needed, extensive of services needed, and other factors. The patient is often responsible for a portion of the fee. For the patient portion of fees not collected after normal collection efforts, the Nursing Home is reimbursed for such uncollected fees with the filing of an annual cost report.

(b) Medicaid

The Medicaid program reimburses the Nursing Home for the cost of skilled nursing or routine care services rendered to Medicaid beneficiaries at a prospective rate which is based on the lower of the reimbursable cost of services rendered or a reimbursement cap set by Medicaid for each level of service. The reimbursement cap is expressed as a per diem.

(c) Commercial Payors

The Nursing Home has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Nursing Home under these agreements includes prospectively determined rates per day and discounts from established rates.

(d) Concentrations

The Nursing Home grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies. At June 30, 2011 and 2010, the Nursing Home had net receivables from the Federal Government (Medicare) of approximately \$248,000 and \$230,000 and from Medicaid of approximately \$277,000 and \$300,000, respectively. Medicare comprised 31% and 28% and Medicaid comprised 48% and 51% of net patient service revenue for the years ended June 30, 2011 and 2010, respectively.

(5) Inventories

A summary of inventories as of June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Food	\$ 13,374	\$ 9,121
Medical supplies	9,018	9,153
Housekeeping supplies	2,850	2,508
Maintenance supplies	5,578	7,978
	\$ 30,820	\$ 28,760

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Notes to the Financial Statements

June 30, 2011 and 2010

(6) Property and equipment

The major classifications and changes in property and equipment as of and for the years ended June 30, 2011 and 2010 are as follows:

	<u>Balance at</u> <u>June 30, 2010</u>	<u>Additions/</u> <u>Transfers</u>	<u>Placed in</u> <u>Service/</u> <u>Retirements</u>	<u>Balance at</u> <u>June 30, 2011</u>
Land	\$ 7,181	\$ -	\$ -	\$ 7,181
Land improvements	100,307	65,113	-	165,420
Buildings and improvements	8,459,503	267,867	-	8,727,370
Machinery and equipment	1,869,133	6,262	(136,658)	1,738,737
Transportation equipment	<u>76,326</u>	<u>23,840</u>	<u>-</u>	<u>100,166</u>
	<u>10,512,450</u>	<u>363,082</u>	<u>(136,658)</u>	<u>10,738,874</u>
Less allowance for depreciation and amortization:				
Land improvements	(47,377)	(3,530)	-	(50,907)
Buildings and improvements	(2,038,005)	(191,188)	-	(2,229,193)
Machinery and equipment	(1,070,579)	(105,372)	123,610	(1,052,341)
Transportation equipment	<u>(5,640)</u>	<u>(14,972)</u>	<u>-</u>	<u>(20,612)</u>
	<u>(3,161,601)</u>	<u>(315,062)</u>	<u>123,610</u>	<u>(3,353,053)</u>
	7,350,849	48,020	(13,048)	7,385,821
Construction in progress	<u>-</u>	<u>204,137</u>	<u>-</u>	<u>204,137</u>
	<u>\$ 7,350,849</u>	<u>\$ 252,157</u>	<u>\$ (13,048)</u>	<u>\$ 7,589,958</u>

JEFFERSON COUNTY NURSING HOME
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Notes to the Financial Statements

June 30, 2011 and 2010

	<u>Balance at June 30, 2009</u>	<u>Additions/ Transfers</u>	<u>Placed in Service/ Retirements</u>	<u>Balance at June 30, 2010</u>
Land	\$ 7,181	\$ -	\$ -	\$ 7,181
Land improvements	46,651	53,656	-	100,307
Buildings and improvements	3,141,956	5,317,547	-	8,459,503
Machinery and equipment	1,378,595	490,538	-	1,869,133
Transportation equipment	<u>-</u>	<u>76,326</u>	<u>-</u>	<u>76,326</u>
	<u>4,574,383</u>	<u>5,938,067</u>	<u>-</u>	<u>10,512,450</u>
Less allowance for depreciation and amortization:				
Land improvements	(44,748)	(2,629)	-	(47,377)
Buildings and improvements	(1,969,914)	(68,091)	-	(2,038,005)
Machinery and equipment	(985,558)	(85,021)	-	(1,070,579)
Transportation equipment	<u>-</u>	<u>(5,640)</u>	<u>-</u>	<u>(5,640)</u>
	<u>(3,000,220)</u>	<u>(161,381)</u>	<u>-</u>	<u>3,161,601</u>
	1,574,163	5,776,686	-	7,350,849
Construction in progress	<u>718,972</u>	<u>4,598,575</u>	<u>(5,317,547)</u>	<u>-</u>
	<u>\$ 2,293,135</u>	<u>\$ 10,375,261</u>	<u>\$ (5,317,547)</u>	<u>\$ 7,350,849</u>

The Nursing Home is in the process of making renovations to the original facility. The remaining commitment under a construction contract is \$1,211,976 as of June 30, 2011.

(7) Long-term debt

A schedule of changes in the Nursing Home's long-term debt as of and for the years ended June 30, 2011 and 2010 is as follows:

	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2011</u>	<u>Amounts Due Within One Year</u>
General					
Obligation					
Bonds - 2007	\$ 7,715,000	\$ -	\$ (150,000)	\$ 7,565,000	\$ 160,000
Bond premium	<u>69,086</u>	<u>-</u>	<u>(8,188)</u>	<u>60,898</u>	<u>7,179</u>
	<u>\$ 7,784,086</u>	<u>\$ -</u>	<u>\$ (158,188)</u>	<u>\$ 7,625,898</u>	<u>\$ 167,179</u>
					<u>Amounts Due Within One Year</u>
General					
Obligation					
Bonds - 2007	\$ 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>
	<u>\$ 7,938,307</u>	<u>\$ -</u>	<u>\$ (154,221)</u>	<u>\$ 7,784,086</u>	<u>\$ 158,188</u>

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June 30, 2011 and 2010

Jefferson County, Tennessee issued \$8,000,000 General Obligation Bonds, Series 2007, dated December 21, 2007 to fund a 25 bed addition to the 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 the Nursing Home and the Nursing Home is expected to repay the debt in full, the bond transactions are reported on the Nursing Home's 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. 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, 2011 and 2010 totaled \$8,188 and \$9,221, 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 bond issuance costs on the Nursing Home's balance sheet and amortized over the life of the bonds. The amortization totaled \$6,421 for each of the years ended June 30, 2011 and 2010.

The coupon rates range from 4.000% to 4.400% with interest payable in semi-annual payments on June 1 and December 1 and annual principal installments ranging from \$140,000 to \$480,000 each June 1. The final principal installment is due June 1, 2037.

A summary of future maturities and interest of long-term debt as of June 30, 2011 is as follows:

<u>Year</u>	<u>Bond Premium Amortization</u>	<u>Principal</u>	<u>Estimated Interest</u>	<u>Total Payments</u>
2012	\$ 7,179	\$ 160,000	\$ 331,181	\$ 491,181
2013	6,171	165,000	324,781	489,781
2014	5,186	175,000	318,181	493,181
2015	4,200	180,000	311,181	491,181
2016	3,236	190,000	303,981	493,981
2017 - 2021	9,763	1,080,000	876,406	1,956,406
2022 - 2026	10,717	1,350,000	867,906	2,217,906
2027 - 2031	10,348	1,680,000	781,281	2,461,281
2032 - 2036	3,909	2,105,000	391,724	2,496,724
2032 - 2036	<u>189</u>	<u>480,000</u>	<u>21,120</u>	<u>501,120</u>
	<u>\$ 60,898</u>	<u>\$ 7,565,000</u>	<u>\$ 4,527,744</u>	<u>\$ 12,092,744</u>

JEFFERSON COUNTY NURSING HOME
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Notes to the Financial Statements

June 30, 2011 and 2010

(8) Pension plan

Certain employees of the 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 to 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 the system 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 the Nursing Home 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/>.

The Nursing Home is a political subdivision of the County. The Nursing Home's funding policy and schedule of pension plan funding progress have not been included within the financial statements as these amounts are aggregated with the County. The Jefferson County Annual Financial Report should be read to obtain the aggregated information related to funding policy and schedule of pension plan funding progress. For the years ended June 30, 2011 and 2010, the Nursing Home's annual pension costs were approximately \$584,000 and \$490,000, respectively.

(9) Commitments and contingencies

The Nursing Home leases various equipment under short-term operating lease agreements. Rent expense totaled \$5,748 and \$4,608 in 2011 and 2010, respectively.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Notes to the Financial Statements

June 30, 2011 and 2010

The Nursing Home maintains commercial insurance on an occurrence basis for medical malpractice liabilities. Insurance coverages are \$1,000,000 individually and \$3,000,000 in the aggregate annually. The State of Tennessee maintains litigation settlement limitations for governmental entities which are less than the Nursing Home's insurance coverages. Management intends to maintain insurance coverages in the future. The Nursing Home could be involved in litigation arising in the ordinary course of business; however, management is of the opinion that insurance coverages are adequate to cover any future potential losses on asserted claims. Management is unaware of any incidents which would ultimately result in a loss in excess of the Nursing Home's insurance coverages.

The 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.

Management continues to implement policies, procedures, and compliance overview organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 and other government statues and regulations. The Nursing Home's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time.

The Centers for Medicare and Medicaid Services ("CMS") have implemented a Recovery Audit Contractors ("RAC") program. The purpose of the program is to reduce improper Medicare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare billings are proper and adequate support is maintained, certain aspects of Medicare billing, coding and support are subject to interpretation and may be viewed differently by the RAC auditors. As the amount of any recovery is unknown, management has not recorded any reserves related to the RAC audit at this time.

The Nursing Home has entered into a letter of credit agreement with a bank whereby it can borrow up to \$500,000 for cash flow purposes. The line of credit would have matured on August 31, 2011, but was extended through August 31, 2012. No amounts have been borrowed from the line of credit. The interest rate for amounts borrowed is variable, and would have been 6.25% at June 30, 2011.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Nursing Home Officials

June 30, 2011

Board of Directors:

Alan Palmieri, Chairman
N. M. Hodges, Vice Chairman
Linda Franklin, Secretary
Marty Mills
E. M. Rogers

Administration:

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

JEFFERSON COUNTY NURSING HOME
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Schedules of Operating Revenues

Years ended June 30, 2011 and 2010

	<u>2011</u>		<u>2010</u>
Operating revenue:			
Routine services - Private ICF/SNF	\$ 1,761,887	\$	1,627,653
Routine services - Medicaid ICF	5,325,831		4,481,948
Routine services - Medicaid SNF	157,885		119,628
Routine services - Hospice ICF	233,087		202,250
Routine services - Hospice SNF	19,365		-
Routine services - commercial insurance/HMO	477,932		104,580
Medicare - Part A revenue	3,308,854		2,242,486
Medicare - Part B ancillaries	239,824		290,622
Ancillaries - hospice/commercial insurance/HMO	1,289		20,631
Prior period revenue adjustments	(7,491)		16,413
Bad debts	(48,110)		(27,898)
Employee and visitor meals	11,954		12,942
Telephone	9,063		5,077
Other income	<u>4,946</u>		<u>11,095</u>
Total operating revenue	\$ <u>11,496,316</u>	\$	<u>9,107,427</u>

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Schedules of Operating Expenses

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
General and administrative:		
Salaries		
Administrator	\$ 112,334	\$ 104,997
Assistant administrator	71,778	67,251
Administrative staff	199,961	169,859
Information tech	58,537	38,803
Payroll taxes	32,373	28,203
Forms and office supplies	43,733	25,213
Telephone	30,369	25,821
License and dues	35,764	31,096
Professional services - other	1,710	413
Professional services - accounting	15,668	11,005
Professional services - legal	1,225	-
Insurance		
Employee life insurance	12,105	8,777
Employee health insurance	951,747	834,532
Commercial insurance	99,038	84,567
Workers' compensation insurance	93,930	104,094
Retirement	584,370	489,619
Bank charges	1,634	-
Employee physicals	11,016	5,847
Training, seminars and conferences	6,892	10,165
Travel expenses	12,717	31,111
Advertising	6,084	6,676
IT services	11,751	30,859
Other compensation and awards	19,045	14,937
Flowers and gifts	3,787	4,616
Employee background checks	1,302	833
Minor equipment	26,277	27,404
Equipment rental	5,748	4,608
Postage and delivery	3,605	5,089
Barber and beauty expenses	8,582	6,777
Miscellaneous expenses	10,434	33,125
Total general and administrative	<u>\$ 2,473,516</u>	<u>\$ 2,206,297</u>
Tennessee nursing home tax	<u>\$ 356,000</u>	<u>\$ 306,207</u>
Nursing		
Salaries		
Director of nursing	\$ 76,503	\$ 95,792
Assistant director of nursing	31,134	-
Minimum Data Set	78,039	56,814
Unit managers	221,578	196,668
Registered nurses	120,010	146,750
Licensed practical nurses	1,246,925	955,477
Certified nursing assistants	1,957,881	1,435,261
Feeding assistants	50,850	47,682
Payroll taxes	298,173	234,029
Medical director	14,118	13,349
Supplies	249,490	238,343
Podiatry consultant	-	25
Training, seminars and conferences	1,155	739
Total nursing	<u>\$ 4,345,856</u>	<u>\$ 3,420,929</u>

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Schedules of Operating Expenses

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Activities		
Salaries		
Activities director	\$ 32,787	\$ 34,510
Activities staff	31,812	43,143
Payroll taxes	5,081	6,304
Supplies	<u>12,007</u>	<u>18,745</u>
Total activities	\$ <u>81,687</u>	\$ <u>102,702</u>
Social services		
Salaries		
Social services director	\$ 36,762	\$ 42,477
Social services staff	99,216	52,582
Payroll taxes	<u>10,822</u>	<u>7,524</u>
Total social services	\$ <u>146,800</u>	\$ <u>102,583</u>
Dietary		
Salaries		
Dietary supervisor	\$ 33,201	\$ 34,928
Dietary staff	384,622	369,895
Payroll taxes	34,000	32,761
Food	575,678	486,316
Supplies	35,362	30,599
Dietary consultant	16,326	13,882
Minor equipment	<u>246</u>	<u>3,236</u>
Total dietary	\$ <u>1,079,435</u>	\$ <u>971,617</u>
Housekeeping		
Salaries		
Housekeeping supervisor	\$ 38,313	\$ 33,656
Housekeeping staff	329,864	308,301
Payroll taxes	29,800	27,721
Supplies	<u>71,393</u>	<u>60,988</u>
Total housekeeping	\$ <u>469,370</u>	\$ <u>430,666</u>
Laundry and linen		
Supplies	\$ 7,326	\$ 11,377
Linen and bedding	<u>15,286</u>	<u>14,038</u>
Total laundry and linen	\$ <u>22,612</u>	\$ <u>25,415</u>

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Schedules of Operating Expenses

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Plant operation and maintenance		
Salaries		
Maintenance supervisor	\$ 42,150	\$ 44,124
Maintenance staff	51,013	51,603
Payroll taxes	6,915	7,245
Gas	88,473	93,210
Electricity	169,653	98,865
Water and sewer	63,985	61,729
Supplies	91,484	90,536
Minor equipment	3,215	10,870
Pest control	7,056	2,577
Waste disposal	8,004	6,806
Grounds	<u>21,725</u>	<u>3,465</u>
Total plant operation and maintenance	\$ <u>553,673</u>	\$ <u>471,030</u>
Ancillary expenses		
Medicare Part A - therapy	509,201	434,169
Medicare Part A - lab	24,033	15,841
Medicare Part A - other services	7,026	7,811
HMO/MCO physical therapy	65,633	12,038
HMO/MCO occupational therapy	40,350	9,777
HMO/MCO speech therapy	31,645	9,031
Medicare Part B - physical therapy	73,842	102,273
Medicare Part B - occupational therapy	25,731	49,656
Medicare Part B - speech therapy	104,682	69,762
Private pay - physical therapy	866	-
Private pay - occupational therapy	124	-
Private pay - speech therapy	576	-
Hospice - speech therapy	-	642
Lab fees	-	215
Ambulance expense	54,170	36,402
X-ray	13,582	8,143
Transportation	173	1,904
Endoscopic services	1,000	3,000
Respiratory services	<u>71,151</u>	<u>46,010</u>
Total ancillary expenses	\$ <u>1,023,785</u>	\$ <u>806,674</u>
Drugs		
Drugs Part A	\$ 396,574	\$ 261,137
Drugs Part D	25,233	22,615
Pharmacy consultant	8,619	8,443
Floor stock drugs and supplies	<u>6,564</u>	<u>11,602</u>
Total drugs	\$ <u>436,990</u>	\$ <u>303,797</u>
Depreciation	<u>\$ 315,062</u>	<u>\$ 161,381</u>
Total operating expenses	\$ <u>11,304,786</u>	\$ <u>9,309,298</u>

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Nursing Home Statistics

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Days in fiscal year	365	365
Total resident beds, end of year	160	160
Maximum patient days	58,400	50,225
Chargeable resident days	56,141	48,419
Percent of occupancy on chargeable days	96.13%	96.40%
Total revenue	\$ 11,502,565	\$ 9,118,633
Average income per chargeable day	\$ 204.89	\$ 188.33
Total expenses	\$ 11,646,201	\$ 9,315,719
Average expenses per chargeable day	\$ 207.45	\$ 192.40
Average income per chargeable day	\$ 204.89	\$ 188.33
Average expenses per chargeable day	<u>(207.45)</u>	<u>(192.40)</u>
Average net income per chargeable day	<u>\$ (2.56)</u>	<u>\$ (4.07)</u>
Average revenue per day	\$ 31,514	\$ 24,982
Average expenses per day	<u>(31,907)</u>	<u>(25,523)</u>
Average net loss per day	<u>\$ (393)</u>	<u>\$ (541)</u>
Total salaries	\$ 5,305,267	\$ 4,330,573
Average daily salary	\$ 14,535	\$ 11,865
Total cost of meals	\$ 1,079,435	\$ 971,617
Meals served	184,776	162,116
Average cost per meal	\$ 5.84	\$ 5.99



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*

The Board of Directors
Jefferson County Nursing Home
Dandridge, Tennessee

We have audited the financial statements of Jefferson County Nursing Home (Nursing Home), a component unit of Jefferson County, Tennessee, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 4, 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 the 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 Nursing Home's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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* is a 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 *Governmental Auditing Standards*.

We noted certain matters resulting in recommendations that we reported to management of the Nursing Home in a separate letter dated November 4, 2011.

This report is intended solely for the information and use of the board of directors, management, others within the Nursing Home and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Raffine Black Morgan & Cain, PC

Knoxville, Tennessee
November 4, 2011



To the Board of Directors
Jefferson County Nursing Home
Dandridge, Tennessee

We have audited the financial statements and supplemental schedules of Jefferson County Nursing Home ("Nursing Home"), a component unit of Jefferson County, Tennessee, for the year ended June 30, 2011, and have issued our report thereon dated November 4, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 8, 2011. 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. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Nursing Home are described in Note 2 to the financial statements. We noted no transactions entered into by the Nursing Home during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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. The most sensitive estimates affecting the financial statements relate to the following:

- Useful lives and depreciation methods of all capitalized property and equipment
- Allowance for doubtful accounts and contractual adjustments
- Estimated third-party payor settlements

We have reviewed and evaluated all areas where management's estimates significantly impact the financial statements and have concluded that they are reasonable in the context of the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no 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 which are attached. None of the misstatements detected as a result of audit procedures and corrected by management were material to the financial statements taken as a whole, except for entries A-06, A-11 and A-13.

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 auditors' 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 November 4, 2011.

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 Nursing Home's financial statements or a determination of the type of auditors' 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 Matters

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.

Independence

We are not aware of any relationships between our firm and the Nursing Home that, in our professional judgment, may reasonably be thought to bear on our independence which have occurred during the period from July 1, 2010 through the date of this letter.

Internal Control and Operating Efficiency

In planning and performing our audit of the financial statements of the Nursing Home as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) 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 Nursing Home's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nursing Home's internal control. We identified the following items during our audit that are opportunities for improving internal controls and operating efficiency.

The internal accounting for the following activities should be improved as follows in order to more timely measure the Nursing Home's financial performance:

- Bond funds received from the County trustee should be posted as a reduction in bond proceeds investments instead of miscellaneous income.
- Expenditures made to renovate the facilities should be capitalized to construction in progress or building improvements instead of expensed in the account "Construction expense".
- Medicare interim payments received for bad debts should be posted to the same account as Medicare accounts written-off as bad debts.

This information is intended solely for the use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Zattin, Black Morgan & Cain, PC

Knoxville, Tennessee
November 4, 2011

Jefferson County Nursing Home

Year End: June 30, 2011

Adjusting journal entries

Date: 7/1/2010 To 6/30/2011

Prepared by	Reviewed by	Reviewed by
TRT 11/2/2011	MBW 11/2/2011	

A. 2

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence
A-01	6/30/2011	Accrued Salaries & Wages	210201	O. 1.	1	133,304.59		
A-01	6/30/2011	FICA Taxes Payable	210204	O. 1.	1	9,786.45		
A-01	6/30/2011	Salaries-MDS	410103	O. 1.	1		1,585.30	
A-01	6/30/2011	Salaries-Unit Managers	410104	O. 1.	1		5,397.00	
A-01	6/30/2011	Payroll Taxes - Nursing Admn	410110	O. 1.	1		472.55	
A-01	6/30/2011	Salaries - Registered Nurses	410203	O. 1.	1		5,276.50	
A-01	6/30/2011	Salaries - Licensed Nurses	410204	O. 1.	1		32,318.34	
A-01	6/30/2011	Salaries - Aides & Orderlies	410205	O. 1.	1		47,258.22	
A-01	6/30/2011	Salaries - Feeding Assistants	410206	O. 1.	1		1,131.54	
A-01	6/30/2011	Payroll Taxes - Nursing - Cert	410310	O. 1.	1		6,737.56	
A-01	6/30/2011	Salaries - Dietary Supervisor	470001	O. 1.	1		889.16	
A-01	6/30/2011	Salaries - Dietary Staff	470002	O. 1.	1		9,972.97	
A-01	6/30/2011	Payroll Taxes - Dietary	470010	O. 1.	1		851.38	
A-01	6/30/2011	Salaries - Housekeeping Supervisor	480001	O. 1.	1		942.88	
A-01	6/30/2011	Salaries - Housekeeping Staff	480002	O. 1.	1		8,198.12	
A-01	6/30/2011	Payroll Taxes - Housekeeping	480010	O. 1.	1		724.78	
A-01	6/30/2011	Salaries - Maintenance Supervisor	500001	O. 1.	1		1,511.16	
A-01	6/30/2011	Salaries - Maintenance Staff	500002	O. 1.	1		1,502.04	
A-01	6/30/2011	Payroll Taxes - Maintenance	500010	O. 1.	1		220.92	
A-01	6/30/2011	Salaries - Activity Director	510001	O. 1.	1		1,069.93	
A-01	6/30/2011	Salaries - Activities Staff	510002	O. 1.	1		1,240.40	
A-01	6/30/2011	Payroll Taxes - Activities	510010	O. 1.	1		174.34	
A-01	6/30/2011	Salaries - Social Services Director	520001	O. 1.	1		1,812.10	
A-01	6/30/2011	Salaries - Social Services Staff	520002	O. 1.	1		1,976.31	
A-01	6/30/2011	Payroll Taxes - Social Services	520010	O. 1.	1		305.95	
A-01	6/30/2011	Salaries - Administrator	540001	O. 1.	1		2,884.67	
A-01	6/30/2011	Salaries - Assistant Administrator	540002	O. 1.	1		2,025.75	
A-01	6/30/2011	Salaries - Administrative Staff	540003	O. 1.	1		4,801.18	
A-01	6/30/2011	Salaries - Information Tech	540004	O. 1.	1		1,511.02	
A-01	6/30/2011	Payroll Taxes - Gen & Admn	540010	O. 1.	1		298.97	
To reverse prior year accrual.								
A-02	6/30/2011	Medicaid Refund	110237	PBC		3,553.10		
A-02	6/30/2011	Miscellaneous Income	569000	PBC			781.16	
A-02	6/30/2011	Miscellaneous Income	569000	PBC			291.06	
A-02	6/30/2011	Miscellaneous Income	569000	PBC			270.67	
A-02	6/30/2011	Miscellaneous Income	569000	PBC			100.21	
A-02	6/30/2011	Miscellaneous Income	569000	PBC			118.43	
A-02	6/30/2011	Miscellaneous Income	569000	PBC			1,991.57	
To reclass Refund to TennCare (posted to wrong account). PBC (Becky Woods).								
A-03	6/30/2011	Accrued Vacation/Holiday Pay	210207	O. 2.	1		58,555.11	
A-03	6/30/2011	Salaries - DON	410101	O. 2.	1	1,846.56		
A-03	6/30/2011	Salaries - Assistant DON	410102	O. 2.	1	212.00		
A-03	6/30/2011	Salaries-MDS	410103	O. 2.	1	3,202.75		
A-03	6/30/2011	Salaries-Unit Managers	410104	O. 2.	1	212.25		
A-03	6/30/2011	Salaries - Registered Nurses	410203	O. 2.	1		456.63	
A-03	6/30/2011	Salaries - Licensed Nurses	410204	O. 2.	1	12,549.72		
A-03	6/30/2011	Salaries - Aides & Orderlies	410205	O. 2.	1	22,123.24		
A-03	6/30/2011	Salaries - Dietary Supervisor	470001	O. 2.	1	746.88		
A-03	6/30/2011	Salaries - Dietary Staff	470002	O. 2.	1	162.30		
A-03	6/30/2011	Salaries - Housekeeping Supervisor	480001	O. 2.	1	684.00		
A-03	6/30/2011	Salaries - Housekeeping Staff	480002	O. 2.	1	3,718.66		
A-03	6/30/2011	Salaries - Maintenance Supervisor	500001	O. 2.	1	1,352.85		
A-03	6/30/2011	Salaries - Maintenance Staff	500002	O. 2.	1	2,226.19		
A-03	6/30/2011	Salaries - Activities Staff	510002	O. 2.	1		886.40	
A-03	6/30/2011	Salaries - Social Services Director	520001	O. 2.	1	375.38		
A-03	6/30/2011	Salaries - Social Services Staff	520002	O. 2.	1		8.67	
A-03	6/30/2011	Salaries - Administrator	540001	O. 2.	1	1,276.32		
A-03	6/30/2011	Salaries - Assistant Administrator	540002	O. 2.	1	411.00		
A-03	6/30/2011	Salaries - Administrative Staff	540003	O. 2.	1	5,421.11		
A-03	6/30/2011	Salaries - Information Tech	540004	O. 2.	1	3,385.60		
To adjust accrual to actual.								

Jefferson County Nursing Home
 Year End: June 30, 2011
 Adjusting journal entries
 Date: 7/1/2010 To 6/30/2011

Prepared by	Reviewed by	Reviewed by
TRT 11/2/2011	MBW 11/2/2011	

A. 2-1

Number	Date	Name	Account No	Reference Annotation	Debit	Credit	Recurrence
A-04	6/30/2011	Minor Equipment - Gen & Admn	540034			53.59	
A-04	6/30/2011	Miscellaneous Income	569000		50.00		
A-04	6/30/2011	Miscellaneous Income	569000		3.59		
		To reclass reimbursement for laptop table and variance.					
A-05	6/30/2011	Waste Disposal	500059			135.08	
A-05	6/30/2011	Miscellaneous Income	569000		135.08		
		To reclass refund from sanitation department. Per discussion with Becky Woods.					
A-06	6/30/2011	Funds Held by Jeff Co Trustee	120113			633,038.93	
A-06	6/30/2011	Miscellaneous Income	569000		633,038.93		
		To reclass funds received from bonds.					
A-07	6/30/2011	Accounts Payable - Construction	210105	I. 2. 1	104,939.84		
A-07	6/30/2011	Construction Expense	577600	I. 2. 1		104,939.84	
		To reclass prior year retainage for completed contract with Joseph Construction.					
A-08	6/30/2011	Construction in Progress	120114	O. 3	1,473.75		
A-08	6/30/2011	Construction in Progress	120114	O. 3	1,715.25		
A-08	6/30/2011	Construction in Progress	120114	O. 3	900.00		
A-08	6/30/2011	Accounts Payable - Construction	210105	O. 3		2,615.25	
A-08	6/30/2011	Construction Expense	577600	O. 3		1,473.75	
		To reclass retainage paid to K&F Construction and record liability for retainage due at 6/30/2011.					
A-09	6/30/2011	Repairs, Maintenance & Supplies	500041		210.26		
A-09	6/30/2011	Repairs, Maintenance & Supplies	500041		3.15		
A-09	6/30/2011	Repairs, Maintenance & Supplies	500041		142.68		
A-09	6/30/2011	Construction Expense	577600			356.09	
		To reclass expenses relating to repairs and maintenance.					
A-10	6/30/2011	Repairs, Maintenance & Supplies	500041		2,695.30		
A-10	6/30/2011	Construction Expense	577600			2,695.30	
		To reclass refund received from Consolidated Electric.					
A-11	6/30/2011	Construction in Progress	120114	I. 2. 1	145,193.47		
A-11	6/30/2011	Construction in Progress	120114	I. 2. 1	2,560.00		
A-11	6/30/2011	Construction in Progress	120114	I. 2. 1	900.00		
A-11	6/30/2011	Land Improvements	120302	I. 2. 1	55,832.50		
A-11	6/30/2011	Land Improvements	120302	I. 2. 1	9,281.08		
A-11	6/30/2011	Building & Improvements	120304	I. 2. 1	255,175.63		
A-11	6/30/2011	Building & Improvements	120304	I. 2. 1	12,690.99		
A-11	6/30/2011	Departmental Equipment	120306	I. 2. 1	6,263.50		
A-11	6/30/2011	Minor Equipment - Dietary	470034	I. 2. 1		2,021.19	
A-11	6/30/2011	Forms & Office Supplies	540030	I. 2. 1		1,955.00	
A-11	6/30/2011	Forms & Office Supplies	540030	I. 2. 1		455.80	
A-11	6/30/2011	Minor Equipment - Gen & Admn	540034	I. 2. 1		383.71	
A-11	6/30/2011	Minor Equipment - Gen & Admn	540034	I. 2. 1		458.85	
A-11	6/30/2011	License & Dues	540084	I. 2. 1		2,560.00	
A-11	6/30/2011	Miscellaneous Expense	540096	I. 2. 1		988.95	
A-11	6/30/2011	Miscellaneous Expense	540096	I. 2. 1		900.00	
A-11	6/30/2011	Construction Expense	577600	I. 2. 1		55,832.50	
A-11	6/30/2011	Construction Expense	577600	I. 2. 1		2,274.52	

Jefferson County Nursing Home

Year End: June 30, 2011

Adjusting journal entries

Date: 7/1/2010 To 6/30/2011

Prepared by	Reviewed by	Reviewed by
TRT	MBW	
11/2/2011	11/2/2011	

A. 2-2

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence
A-11	6/30/2011	Construction Expense	577600	I. 2.	1		6.56	
A-11	6/30/2011	Construction Expense	577600	I. 2.	1		255,175.63	
A-11	6/30/2011	Construction Expense	577600	I. 2.	1		10,660.99	
A-11	6/30/2011	Construction Expense	577600	I. 2.	1		28,001.25	
A-11	6/30/2011	Professional Services-Other	579000	I. 2.	1		7,000.00	
A-11	6/30/2011	Professional Services-Other	579000	I. 2.	1		2,030.00	
A-11	6/30/2011	Professional Services-Other	579000	I. 2.	1		117,192.22	
To reclass expenses to fixed assets.								
A-12	6/30/2011	Prepaid Insurance	110401	G. 2			3,824.96	
A-12	6/30/2011	Insurance - Vehicles	500072	G. 2		464.25		
A-12	6/30/2011	Insurance-Commercial	540014	G. 2		3,360.71		
To adjust to actual.								
A-13	6/30/2011	Land Improvements	120302	I. 1			0.25	
A-13	6/30/2011	Building & Improvements	120304	I. 1			0.23	
A-13	6/30/2011	Accumulated Depr - Bldg & Improvemnt	120305	I. 1			183,352.00	
A-13	6/30/2011	Departmental Equipment	120306	I. 1			0.44	
A-13	6/30/2011	Depreciation - Bldgs & Improvements	500082	I. 1		183,352.00		
A-13	6/30/2011	Depreciation - Bldgs & Improvements	500082	I. 1		0.92		
To adjust Depreciation Expense and A/D to actual.								
A-14	6/30/2011	Accrued Interest Payable	210213	O. 3		491.81		
A-14	6/30/2011	Bond Interest Expense	540097	O. 3			491.81	
To adjust to actual.								
A-15	6/30/2011	Construction in Progress	120114	O. 3		1,695.00		
A-15	6/30/2011	Bond Interest Expense	540097	O. 3			1,695.00	
To reclass capitalized interest.								
A-16	6/30/2011	Employee Retirement Payable	210117	O. 4		15,778.00		
A-16	6/30/2011	Retirement	540015	O. 4			15,778.00	
To reverse prior year accrual.								
A-17	6/30/2011	Retained Earnings	250100	U. 1		14,635.42		
A-17	6/30/2011	Nursing Supplies - Nursing	410230	U. 1		135.26		
A-17	6/30/2011	Raw Food	470050	U. 1			4,253.14	
A-17	6/30/2011	Supplies - Housekeeping	480030	U. 1			341.84	
A-17	6/30/2011	Repairs, Maintenance & Supplies	500041	U. 1		2,398.59		
A-17	6/30/2011	Insurance - Health	540012	U. 1			7,263.19	
A-17	6/30/2011	Retirement	540015	U. 1				
A-17	6/30/2011	Bad debts	540086	U. 1			2,252.20	
A-17	6/30/2011	Bad debts	540086	U. 1			7,732.16	
A-17	6/30/2011	Bad debts	540086	U. 1			5,288.84	
A-17	6/30/2011	Bad debts	540086	U. 1			491.96	
A-17	6/30/2011	Bad debts	540086	U. 1		595.40		
A-17	6/30/2011	Bad debts	540086	U. 1		3,265.90		
A-17	6/30/2011	Miscellaneous Expense	540096	U. 1		6,592.76		
To reclassify client's entry 18826.								
A-18	6/30/2011	Retained Earnings	250100				6.08	
A-18	6/30/2011	Miscellaneous Expense	540096			6.08		
To adjust to actual.								

Jefferson County Nursing Home
 Year End: June 30, 2011
 Adjusting journal entries
 Date: 7/1/2010 To 6/30/2011

Prepared by	Reviewed by	Reviewed by
TRT 11/2/2011	MBW 11/2/2011	

A. 2-3

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence
A-19	6/30/2011	Employee Retirement Payable	210117	O 4			17,682.00	
A-19	6/30/2011	Retirement	540015	O 4		17,682.00		
To record current year accrual.								
A-20	6/30/2011	Amortization of Bond Premium	210216	PF,10.1.2		8,188.00		
A-20	6/30/2011	Bond Premium Amortization	590000	PF,10.1.2			8,188.00	
To record amortization of bond premium.								
A-21	6/30/2011	Accumulated Amt-Bond Issue Cost	120311	PF,10.1.3			6,421.04	
A-21	6/30/2011	Deferred Charges Amortization	595000	PF,10.1.3		6,421.04		
To record amortization of bond issue costs.								
A-22	6/30/2011	Medicare Bad Debt/Collectible	110224				146,047.00	
A-22	6/30/2011	Medicare--Cost Settlement	310211			146,047.00		
to adjust Medicare settlement due for April-June estimate								
A-23	6/30/2011	Accumulated Depr - Bldg & Improvemnt	120305	I 4		123,609.70		
A-23	6/30/2011	Departmental Equipment	120306	I 4			136,657.79	
A-23	6/30/2011	Loss [Gain] on Sale of Assets	563000	I 4		13,048.09		
To record disposal of assets.								
A-24	6/30/2011	Funds Held by Jeff Co Trustee	120113	C 1		11,037.82		
A-24	6/30/2011	Funds Held by Jeff Co Trustee	120113	C 1		29.42		
A-24	6/30/2011	Interest Income	560100	C 1			11,067.24	
To record interest income on bond investments.								
A-25	6/30/2011	Allowance for Uncoll - Medicare A	110215	E. 5. 1			6,300.78	
A-25	6/30/2011	Allowance for Uncoll - Medicare B	110216	E. 5. 1			4,677.72	
A-25	6/30/2011	Allowance for Uncoll - Other	110217	E. 5. 1			49,035.00	
A-25	6/30/2011	Bad debts	540086	E. 5. 1		60,013.50		
to record allowance for uncollectible amounts								
A-26	6/30/2011	Construction in Progress	120114			49,698.30		
A-26	6/30/2011	Accounts Payable - Construction	210105				49,698.30	
To record the non escrow portion of the K&F construction draw # 2.								
A-27	6/30/2011	Salaries - Social Services Director	520001				43,791.62	
A-27	6/30/2011	Salaries - Social Services Staff	520002			43,791.62		
to move other wages out of Social Services Director GL account								
						2,152,094.54	2,152,094.54	
Net Income (Loss)			(143,636.30)					