

WEAKLEY COUNTY NURSING HOME

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

June 30, 2011

**WEAKLEY COUNTY NURSING HOME
TABLE OF CONTENTS**

Introductory Section

Board of Trustees and Administrative Staff

Financial Section

Independent Auditor's Report 1

Management's Discussion and Analysis..... 3

Basic Financial Statements

 Statement of Net Assets 7

 Statement of Revenues, Expenses and
 Changes in Net Assets 8

 Statement of Cash Flows..... 9

 Notes to Financial Statements 11

Supplementary Information Section

Schedule of Budgetary Comparison – Budgetary Basis 17

Schedule of Operating Expenses 18

Internal Control and Compliance Section

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* 21

Findings and Recommendations 23

INTRODUCTORY SECTION

WEAKLEY COUNTY NURSING HOME

June 30, 2011

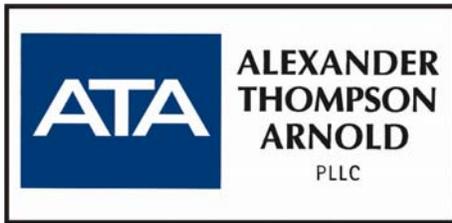
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ADMINISTRATIVE STAFF

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FINANCIAL SECTION



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Independent Auditor's Report

Board of Directors
Weakley County Nursing Home
Dresden, Tennessee

We have audited the accompanying financial statements of the Weakley County Nursing Home (Nursing Home), a component unit of Weakley County, Tennessee, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Nursing Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Weakley County Nursing Home, a component unit of Weakley County, Tennessee, as of June 30, 2011, 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 September 19, 2011, on our consideration of the Weakley County Nursing Home's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Weakley County Nursing Home

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Weakley County Nursing Home's financial statements as a whole. The introductory section and other supplementary information section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Alexander Thompson Arnold PLLC

McKenzie, Tennessee
September 19, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Weakley County Nursing Home (Nursing Home), we offer readers of the Nursing Home's financial statements this narrative overview and analysis of the financial activities of the Nursing Home for the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the Nursing Home exceeded its liabilities at the close of the most recent fiscal year by \$5.4 million (*net assets*). This is decrease of \$58,294 or 1% from last year.
- During the fiscal year ended June 30, 2011, the Nursing Home had a loss from operations of \$79,688. This is a decrease of \$771,009 over the income from operations at year ended June 30, 2010.
- The Nursing Home's operating revenues decreased by 4.5% for the fiscal year ended June 30, 2011; its operating expenses increased by 5.5%.
- The Nursing Home purchased the following capital assets: new doors, kitchen countertops, washing machine, copier machine, two electric beds, twelve Oxygen concentrators, two floor lifts, and miscellaneous other purchases.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Nursing Home, assets exceeded liabilities by \$5.4 million at the close of the most recent fiscal year. The largest portion of the Nursing Home's net assets, 26% representing investment in capital assets, are capital assets used to provide services to citizens.

The remaining balance of net assets, 74%, represents unrestricted net assets. Therefore, the Nursing Home appears fairly strong based on the large percentage of net assets still available.

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 4,349,971	\$ 4,391,220
Capital assets	<u>1,424,108</u>	<u>1,505,867</u>
Total assets	5,774,079	5,897,087
Current liabilities	347,240	413,239
Other liabilities	<u>30,457</u>	<u>29,172</u>
Total liabilities	377,697	442,411
Net assets		
Invested in capital assets, net of related debt	1,424,108	1,505,867
Unrestricted	<u>3,972,274</u>	<u>3,948,809</u>
Total net assets	<u>\$ 5,396,382</u>	<u>\$ 5,454,676</u>

During the current fiscal year, the Nursing Home's net assets decreased by \$58,294. This decrease was due to the decrease in the number of skilled care patients.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses, and Changes in Net Assets

Expenditures exceeded revenues by \$58,294

	<u>2011</u>	<u>2010</u>
Revenues:		
Operating revenues:		
Medicaid I	\$ 3,760,591	\$ 3,457,663
Private pay	906,710	30,525
Medicare A	2,413,427	3,027,608
Medicare B	304,346	407,582
Medicaid II	251,636	224,356
Other	68,801	919,489
Nonoperating revenues:		
Insurance proceeds	-	4,441
Interest income	21,394	17,845
Total revenues	7,726,905	8,089,509
Expenses:		
General and administration	932,164	951,135
Employee benefits	1,273,540	1,130,553
Dietary	706,124	705,551
Housekeeping	243,527	194,073
Laundry and linen	190,273	186,459
Plant operation and maintenance	375,221	344,418
Medical and nursing	2,645,926	2,480,497
Recreational activities	63,064	65,197
Social services	50,336	45,500
Medicare expenses	1,164,557	1,133,746
Depreciation	140,467	138,773
Interest expense	-	2,020
Payments on County agreement	-	78,000
Total expenses	7,785,199	7,455,922
 (Decrease) increase in net assets	 \$ (58,294)	 \$ 633,587

The decrease in revenues was primarily due to a decrease in Medicare A care patients. The increase in expenses was primarily due to the increase in medical and nursing salaries and employee benefits.

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

- Budgeted operating revenues differed from the actual revenues by \$993,183. Budgeted operating expenditures differed from actual expenditures by \$33,443.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - At the end of Fiscal Year 2011, the Nursing Home had invested \$1,424,108 net of accumulated depreciation in a variety of capital assets. Additional information on the Nursing Home's capital assets can be found in Notes 1 and 2 beginning on page 11 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

REQUESTS FOR INFORMATION

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

WEAKLEY COUNTY NURSING HOME
STATEMENT OF NET ASSETS
June 30, 2011

ASSETS

Current assets

Cash on hand and in bank	\$ 1,720,208	
Certificates of Deposit	615,371	
Accounts receivable	1,898,916	
Inventory - supplies	74,787	
Prepaid insurance	9,866	
Uniform cost due from employees	<u>366</u>	
Total current assets		4,319,514

Fixed assets

Land	2,371	
Land improvements	64,212	
Buildings and improvements	2,897,468	
Equipment	1,232,421	
Vehicles	31,818	
Other assets	<u>40,815</u>	
Total fixed assets	4,269,105	
Less: accumulated depreciation	<u>(2,844,997)</u>	
Net fixed assets		1,424,108

Restricted assets

Cash on hand and in bank - patient trust fund		<u>30,457</u>
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Total assets

5,774,079

LIABILITIES

Current liabilities

Accounts payable	178,905
Nursing home tax payable	25,217
Accrued salaries and wages	41,459
Employee retirement and insurance payable	41,925
Accrued vacation	<u>59,734</u>
Total current liabilities	347,240

Other liabilities

Patient trust fund	<u>30,457</u>
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Total liabilities

377,697

Net assets

Invested in capital assets	1,424,108
Unrestricted	<u>3,972,274</u>

Total net assets

\$ 5,396,382

The accompanying notes are an integral part of these financial statements.

WEAKLEY COUNTY NURSING HOME
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

Operating income

Medicaid I, net of contractual	\$ 3,172,492	
Medicaid I - patient liability	588,099	
Private pay	906,710	
Hospice, net of contractual	62,962	
Medicare A, net of contractual and bad debts	2,413,427	
Medicare B, net of contractual	304,346	
Medicaid II, net of contractual	224,484	
Medicaid II - patient liability	27,152	
Meals on Wheels, net of contractual	4,736	
Respite Medicaid	<u>1,103</u>	
Total operating income		<u>7,705,511</u>

Operating expenses

General and administrative	932,164	
Employee benefits	1,273,540	
Dietary	706,124	
Housekeeping	243,527	
Laundry and linen	190,273	
Plant operation and maintenance	375,221	
Medical and nursing	2,645,926	
Recreational activities	63,064	
Social services	50,336	
Medicare expenses	1,164,557	
Depreciation	<u>140,467</u>	
Total operating expenses		<u>7,785,199</u>

Loss from operations **(79,688)**

Nonoperating income

Interest income		<u>21,394</u>
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Change in net assets **(58,294)**

Net assets - beginning of year 5,454,676

Net assets - end of year \$ 5,396,382

The accompanying notes are an integral part of these financial statements.

WEAKLEY COUNTY NURSING HOME
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011

Cash flows from operating activities:

Receipts from patient charges	\$ 7,881,280	
Payments to vendors	(2,786,765)	
Payments to employees and for employee benefits	<u>(4,914,721)</u>	
Net cash provided by operating activities		179,794

Cash flows from capital and related financing activities:

Acquisition of building improvements and equipment		(58,708)
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Cash flows from investing activities:

Purchase of certificate of deposit	(615,371)	
Interest earned	<u>21,394</u>	
Net cash used by investing activities		<u>(593,977)</u>

Net decrease in cash and cash equivalents

(472,891)

Cash and cash equivalents - beginning of year

2,193,099

Cash and cash equivalents - end of year

\$ 1,720,208

The accompanying notes are an integral part of these financial statements.

WEAKLEY COUNTY NURSING HOME
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011

**Reconciliation of operating loss to net cash provided
by operating activities:**

Loss from operations	\$ (79,688)	
Adjustment to reconcile net loss:		
Depreciation	140,467	
Changes in operating assets and liabilities:		
Accounts receivable, net	175,769	
Inventory	5,889	
Prepaid insurance	506	
Uniform cost due from employees	792	
Due from vendor	2,055	
Accounts payable	30,613	
Accrued salaries and wages	(111,447)	
Employee retirement and insurance payable	15,291	
Accrued vacation pay	<u>(453)</u>	
Net cash provided by operating activities		<u>\$ 179,794</u>

The accompanying notes are an integral part of these financial statements.

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

June 30, 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Depreciation

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

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

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

June 30, 2011

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

D. Leases

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

E. Inventory

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

F. Net Assets

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

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

G. Cash and Cash Equivalents

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

H. Allowance for Doubtful Accounts

An allowance for doubtful accounts has not been reflected as of the balance sheet date. The direct write-off of bad debts is made at the end of each fiscal year. The direct write-off method is not in accordance with generally accepted accounting principles, but the effect on the financial statements is immaterial. For the current year, \$189,640 in bad debts were written off and recoveries of \$187,457 were collected.

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

June 30, 2011

I. Budget

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

J. Date of Management Review

Subsequent events have been evaluated through September 19, 2011, which is the date the financial statements were available to be issued.

NOTE 2 – DETAILED NOTES ON ACCOUNTS

A. Changes in Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

	Balance at <u>June 30, 2010</u>	Additions	Dispositions	Balance at <u>June 30, 2011</u>
Capital assets				
Land	\$ 2,371	\$ -	\$ -	\$ 2,371
Land improvements	64,212	-	-	64,212
Building	2,885,381	12,087	-	2,897,468
Equipment	1,185,800	46,621	-	1,232,421
Vehicles	55,559	-	23,741	31,818
Other assets	40,815	-	-	40,815
Total capital assets	<u>4,234,138</u>	<u>58,708</u>	<u>23,741</u>	<u>4,269,105</u>
Less accumulated depreciation for				
Land improvements	35,719	2,310	-	38,029
Building	1,619,873	77,978	-	1,697,851
Equipment	992,072	55,879	-	1,047,951
Vehicles	39,792	4,300	23,741	20,351
Other assets	40,815	-	-	40,815
Total accumulated depreciation	<u>2,728,271</u>	<u>140,467</u>	<u>23,741</u>	<u>2,844,997</u>
Total capital assets, net	<u>\$ 1,505,867</u>	<u>\$ (81,759)</u>	<u>\$ -</u>	<u>\$ 1,424,108</u>

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

June 30, 2011

NOTE 3 – OTHER INFORMATION

A. Compensated Absences

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

B. Deposits and Investments

Custodial Credit Risk

The Nursing Home's policies limit deposits and investments to those instruments allowed by applicable state laws. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the Nursing Home's agent in the Nursing Home's name, or by the Federal Reserve Banks acting as third party agents. State statute also authorizes the Nursing Home to invest in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2011, all bank deposits were fully collateralized or insured.

C. Risk Management

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

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

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

June 30, 2011

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

D. Pension Plan

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>. The most recent information available is from June 30, 2010.

Funding Policy

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

Weakley County Nursing Home is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011, was 12.06% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Weakley County Nursing Home is established and may be amended by the TCRS Board of Trustees.

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

June 30, 2011

Annual Pension Cost

For the year ending June 30, 2011, the Weakley County Nursing Home made contributions to the TCRS in the amount of \$331,212. Weakley County Nursing Home's payroll for employees covered by the TCRS for the year ended June 30, 2010, was \$2,746,370. The total payroll for the year was \$3,658,612. The Weakley County Nursing Home's operations are reported in the audit report of Weakley County, Tennessee. For more details concerning TCRS, refer to the audit report of Weakley County, Tennessee, for the year ended June 30, 2011.

SUPPLEMENTARY INFORMATION SECTION

WEAKLEY COUNTY NURSING HOME
STATEMENT OF BUDGETARY COMPARISON - BUDGETARY BASIS
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over <u>(Under)</u>
Operating income				
Medicaid I, net of contractual	\$3,300,000	\$3,448,761	\$3,172,492	\$ (276,269)
Medicaid I - patient liability	-	-	588,099	588,099
Private pay	1,610,000	1,610,000	906,710	(703,290)
Hospice , net of contractual	40,000	40,000	62,962	22,962
Medicare A, net of contractual and bad debts	3,580,000	3,580,000	2,413,427	(1,166,573)
Medicare B, net of contractual	-	-	304,346	304,346
Medicaid II, net of contractual	-	-	224,484	224,484
Medicaid II - patient liability	-	-	27,152	27,152
Meals on Wheels, net of contractual	8,000	19,933	4,736	(15,197)
Respite Medicaid	-	-	1,103	1,103
Total operating income	<u>8,538,000</u>	<u>8,698,694</u>	<u>7,705,511</u>	<u>(993,183)</u>
Operating expenses - schedule attached				
General and administrative	1,084,275	979,222	932,164	(47,058)
Employee benefits	1,191,610	1,253,610	1,273,540	19,930
Dietary	749,900	729,900	706,124	(23,776)
Housekeeping	215,700	234,700	243,527	8,827
Laundry and linen	205,000	191,000	190,273	(727)
Plant operation and maintenance	550,500	470,500	375,221	(95,279)
Medical and nursing	2,720,200	2,729,260	2,645,926	(83,334)
Recreational activities	67,500	79,000	63,064	(15,936)
Social services	48,350	52,750	50,336	(2,414)
Medicare expenses	1,355,500	958,700	1,164,557	205,857
Construction	1,000	1,000	-	(1,000)
Depreciation	137,000	139,000	140,467	1,467
Total operating expense	<u>8,326,535</u>	<u>7,818,642</u>	<u>7,785,199</u>	<u>(33,443)</u>
Income (loss) from operations	<u>211,465</u>	<u>880,052</u>	<u>(79,688)</u>	<u>(959,740)</u>
Non-operating income (expense)				
Interest income	<u>15,000</u>	<u>19,261</u>	<u>21,394</u>	<u>2,133</u>
Net income (loss)	<u>\$ 226,465</u>	<u>\$ 899,313</u>	<u>\$ (58,294)</u>	<u>\$ (957,607)</u>

See independent auditor's report.

WEAKLEY COUNTY NURSING HOME
SCHEDULE OF OPERATING EXPENSES
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over <u>(Under)</u>
General and administrative				
Administrator's salary	\$ 86,975	\$ 86,975	\$ 82,953	\$ (4,022)
Office salaries	180,000	175,247	165,945	(9,302)
Office supplies	28,000	26,000	22,247	(3,753)
Board member expense	12,000	6,200	6,529	329
Licenses and dues	318,500	318,500	315,445	(3,055)
Professional services	88,000	78,000	80,077	2,077
Professional training and education	10,500	12,500	12,340	(160)
Telephone	21,000	19,000	17,246	(1,754)
Insurance	253,000	185,000	168,387	(16,613)
Advertising	29,000	31,000	28,876	(2,124)
Employee recruitment	2,000	2,000	323	(1,677)
Employee physicals	6,000	5,000	4,105	(895)
Vending	-	-	40	40
Employees expense	11,000	7,500	5,961	(1,539)
Employee benefit expense	24,500	22,000	20,379	(1,621)
Resident benefit expense	3,800	2,300	863	(1,437)
Miscellaneous	10,000	2,000	448	(1,552)
	<u>\$ 1,084,275</u>	<u>\$ 979,222</u>	<u>\$ 932,164</u>	<u>\$ (47,058)</u>
Employee benefits				
Payroll taxes - FICA and unemployment	\$ 240,000	\$ 289,000	\$ 290,064	\$ 1,064
Group insurance	650,000	663,000	651,093	(11,907)
Life insurance	1,610	1,610	1,171	(439)
Retirement	300,000	300,000	331,212	31,212
	<u>\$ 1,191,610</u>	<u>\$ 1,253,610</u>	<u>\$ 1,273,540</u>	<u>\$ 19,930</u>
Dietary				
Salaries	\$ 345,000	\$ 370,000	\$ 357,895	\$ (12,105)
Food	313,500	288,500	282,250	(6,250)
Supplies	37,400	30,400	26,938	(3,462)
Purchased services	7,000	6,000	5,280	(720)
Dietary supplements	47,000	35,000	33,761	(1,239)
	<u>\$ 749,900</u>	<u>\$ 729,900</u>	<u>\$ 706,124</u>	<u>\$ (23,776)</u>

See independent auditor's report.

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

For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Over <u>(Under)</u>
	<u>Original</u>	<u>Final</u>		
Housekeeping				
Salaries	\$ 175,000	\$ 199,000	\$ 196,221	\$ (2,779)
Supplies	<u>40,700</u>	<u>35,700</u>	<u>47,306</u>	<u>11,606</u>
Total housekeeping	<u>\$ 215,700</u>	<u>\$ 234,700</u>	<u>\$ 243,527</u>	<u>\$ 8,827</u>
Laundry and linen				
Salaries	\$ 165,000	\$ 153,000	\$ 157,546	\$ 4,546
Supplies	22,000	22,000	17,498	(4,502)
Linen	<u>18,000</u>	<u>16,000</u>	<u>15,229</u>	<u>(771)</u>
Total laundry and linen	<u>\$ 205,000</u>	<u>\$ 191,000</u>	<u>\$ 190,273</u>	<u>\$ (727)</u>
Plant operation and maintenance				
Salaries	\$ 65,000	\$ 63,000	\$ 60,703	\$ (2,297)
Gas	75,000	60,000	56,415	(3,585)
Electricity	102,000	95,000	94,465	(535)
Water and sewage	54,000	52,000	48,609	(3,391)
TV cable/satellite	9,000	9,000	8,368	(632)
Maintenance and repairs	19,500	19,500	40,133	20,633
Supplies	8,600	8,600	23,205	14,605
Purchased services	70,200	44,200	39,995	(4,205)
Vehicle maintenance	5,000	3,500	3,328	(172)
New equipment	80,200	70,200	-	(70,200)
Facility improvements	60,000	45,000	-	(45,000)
Miscellaneous	<u>2,000</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Total plant operation and maintenance	<u>\$ 550,500</u>	<u>\$ 470,500</u>	<u>\$ 375,221</u>	<u>\$ (95,279)</u>
Medical and nursing				
Salaries - RN	\$ 291,000	\$ 228,000	\$ 220,609	\$ (7,391)
Salaries - LPN	946,260	1,040,260	1,011,785	(28,475)
Salaries - aides, orderlies	1,239,940	1,223,000	1,186,076	(36,924)
Supplies	210,000	205,000	201,591	(3,409)
Purchased services	<u>33,000</u>	<u>33,000</u>	<u>25,865</u>	<u>(7,135)</u>
Total medical and nursing	<u>\$ 2,720,200</u>	<u>\$ 2,729,260</u>	<u>\$ 2,645,926</u>	<u>\$ (83,334)</u>

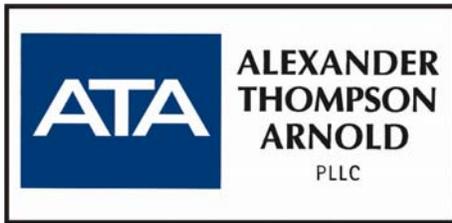
See independent auditor's report.

WEAKLEY COUNTY NURSING HOME
SCHEDULE OF OPERATING EXPENSES
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over <u>(Under)</u>
Recreational activities				
Salaries	\$ 58,000	\$ 70,000	\$ 54,938	\$ (15,062)
Supplies	3,000	2,500	1,827	(673)
Special events	<u>6,500</u>	<u>6,500</u>	<u>6,299</u>	<u>(201)</u>
 Total recreational activities	 <u>\$ 67,500</u>	 <u>\$ 79,000</u>	 <u>\$ 63,064</u>	 <u>\$ (15,936)</u>
Social service				
Salaries	\$ 48,000	\$ 52,000	\$ 49,901	\$ (2,099)
Supplies	<u>350</u>	<u>750</u>	<u>435</u>	<u>(315)</u>
 Total social services	 <u>\$ 48,350</u>	 <u>\$ 52,750</u>	 <u>\$ 50,336</u>	 <u>\$ (2,414)</u>
Medicare/Medicaid II expenses				
Contract - physical therapy	\$ 335,000	\$ 206,000	\$ 195,961	\$ (10,039)
Contract - speech therapy	145,000	100,000	98,007	(1,993)
Contract - occupational therapy	230,000	160,000	142,143	(17,857)
Billable medical supplies	7,500	4,700	3,200	(1,500)
Pharmacy	275,000	225,000	208,874	(16,126)
Lab - Medicare	20,000	13,000	10,992	(2,008)
X-Ray - Medicare	14,000	8,000	7,150	(850)
Other insurance - physical therapy	2,000	16,000	13,214	(2,786)
Other insurance - speech therapy	500	4,500	4,189	(311)
Other insurance - occupational therapy	1,000	5,000	3,758	(1,242)
Medical supplies - Medicaid II	500	500	-	(500)
Medicare audit withholding	-	-	263,550	263,550
MCA - contract - physical therapy	155,000	110,000	110,601	601
MCA - contract - speech therapy	85,000	50,000	45,210	(4,790)
MCA - contract - occupational therapy	<u>85,000</u>	<u>56,000</u>	<u>57,708</u>	<u>1,708</u>
 Total Medicare expenses	 <u>\$ 1,355,500</u>	 <u>\$ 958,700</u>	 <u>\$ 1,164,557</u>	 <u>\$ 205,857</u>
Construction				
Depreciation				
Land improvements	\$ 2,000	\$ 2,000	\$ 2,309	\$ 309
Buildings	78,000	78,000	77,978	(22)
Motor vehicles	4,000	4,000	4,300	300
Equipment	<u>53,000</u>	<u>55,000</u>	<u>55,880</u>	<u>880</u>
 Total Depreciation	 <u>\$ 137,000</u>	 <u>\$ 139,000</u>	 <u>\$ 140,467</u>	 <u>\$ 1,467</u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



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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 Directors
Weakley County Nursing Home
Dresden, Tennessee

We have audited the accompanying financial statements of the Weakley County Nursing Home, a component unit of Weakley County, Tennessee, as of and for the year ended June 30, 2011, and have issued our report thereon dated September 19, 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 Weakley County Nursing Home's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Weakley County Nursing Home's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Weakley County Nursing Home's internal control over financial reporting.

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 Nursing Home'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 the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and recommendations as 96-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors
Weakley County Nursing Home

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Weakley County Nursing Home's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*.

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

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

Alexander Thompson Arnold PLLC

McKenzie, Tennessee
September 19, 2011

**WEAKLEY COUNTY NURSING HOME
FINDINGS AND RECOMMENDATIONS**
June 30, 2011

96-1. Segregation of Duties

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

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

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

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

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