

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

Financial Statements and Supplemental Schedules

June 30, 2013 and 2012

(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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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Jefferson County Nursing Home
Dandridge, Tennessee

We have audited the accompanying financial statements of Jefferson County Nursing Home (the "Nursing Home") a component unit of Jefferson County, Tennessee, which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson County Nursing Home as of June 30, 2013 and 2012 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 - 9 be presented to supplement the basic financial statements. Such information, although not 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.

Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013 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, 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* in considering the Nursing Home's internal control over financial reporting and compliance.

Raffine Black Morgan & Cain, PC

Knoxville, Tennessee
October 8, 2013

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

Management's Discussion and Analysis

June 30, 2013, 2012, and 2011

As management of Jefferson County Nursing Home ("JCNH" or "Nursing Home"), we offer readers of the financial statements this narrative overview and analysis of the financial performance during the years ended June 30, 2013, 2012 and 2011. Please read this analysis in conjunction with JCNH's financial statements.

FINANCIAL HIGHLIGHTS

JCNH's net position increased by \$403,867 for the year ended June 30, 2013 and decreased \$221,748 and \$143,636 for the years ended June 30, 2012 and 2011, respectively.

JCNH produced income from operations of \$713,776, \$86,554 and \$191,530 for years ended June 30, 2013, 2012 and 2011, respectively.

Operating revenues increased by 2.7% and 26.2% for years ended June 30, 2013 and 2011, respectively. Operating revenues were flat for year ended June 30, 2012. Operating expenses decreased 2.7% for the year ended June 30, 2013 and increased 1.0% and 21.4% for years ended 2012 and 2011, respectively.

The majority of the revenue and expense increases during year ended June 30, 2011 were a result of the nursing home putting in service 25 new beds with the completion of its "Greenhouse" construction in late May of 2010.

USING THESE ANNUAL FINANCIAL STATEMENTS

Jefferson County Nursing Home is considered a "component unit" of Jefferson County, Tennessee. Component units are separate legal entities; however, Jefferson County is financially accountable for the nursing home. Therefore, Jefferson County reports financial information regarding the nursing home in its annual report.

The Nursing Home is an enterprise fund, operating much like a private-sector company and is considered a business-type activity of Jefferson County. The Nursing Home charges residents for the services it provides.

This annual report of the Jefferson County Nursing Home consists of a series of financial statements. The Statements of Net Position, the Statements of Revenue, Expenses and Changes in Net Position, 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, 2013 and 2012 are taken into account regardless of when cash is received or paid.

The Statements of Net Position and the Statements of Revenue, Expenses and Changes in Net Position report the Nursing Home's net position and changes in them. The term "net position" 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 position. Over time, increases or decreases in the Nursing Home's net position are one indicator of whether

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Management's Discussion and Analysis

June 30, 2013, 2012, and 2011

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 \$713,776 and \$86,554 for years ended June 30, 2013 and 2012, respectively. After adding nonoperating revenues and expenses, the total increase in the Nursing Home's net position for the year ended June 30, 2013 was \$403,867 and the total decrease in net position for the year ended June 30, 2012 was \$221,748. The unrestricted net position - the part of the net position that can be used to finance day-to-day operations without constraints established by legal requirements or board designations - increased from \$769,933 at June 30, 2012 to \$1,360,775 at June 30, 2013, an increase of \$590,842. The unrestricted net position decreased from \$867,168 at June 30, 2011 to \$769,933 at June 30, 2012, a decrease of \$97,235.

Total revenue of the Nursing Home increased \$315,659 or 2.7% during 2013 compared to 2012. The 2013 increase was primarily comprised of increased commercial insurance revenue of \$279,101 and increased Medicare Part A revenue of \$119,015. Medicare days increased 5.4% in 2013 to offset reimbursement reductions. Medicaid reimbursement rates increased in 2013 but were offset by a reduction in Medicaid bed days. The 2012 total revenue increased by \$1,962, or virtually flat during 2012 despite 491 more chargeable days in 2012 than 2011 due to Medicare reducing reimbursement 11.1% effective October 1, 2011 and Medicaid reducing reimbursement 2.5% effective January 1, 2012. The Medicaid portion of chargeable days was 33,418 out of a total of 56,598, or 59.1% for 2013, and was 34,915 out of a total of 56,632, or 61.7%, for 2012. Medicaid revenue was 47.8% and 49.0% of 2013 and 2012 total revenue, respectively, and continues to constitute a significant portion of the nursing home's revenue. The Medicare portion of chargeable days was 7,969 out of a total of 56,598, or 14.1%, for 2013, and was 7,559 out of a total of 56,632, or 13.3%, for 2012. Medicare Parts A & B revenue was 27.7% and 29.0% of 2013 and 2012 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 incurred significant expenses in developing this project and implementing the conceptual framework.

Jefferson County Nursing Home continued with Phase II of construction, which consisted of renovations to the Legacy Building. Construction began during the fiscal year ended June 30, 2011

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Management's Discussion and Analysis

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and was completed in October, 2012. The Nursing Home management believes the addition was 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 increased frailty causes the residents to be more dependent on Nursing Home staff to help them with the basic activities of daily living and to take care of their progressively complicated medical needs. Residents rely on the Nursing Home staff to keep them clean, fed and safe. Perhaps more importantly, the work of our Nursing Home staff requires more than just completing tasks. Jefferson County Nursing Home strives to maintain a high quality of care, recognizing that the nursing home is "home" for our residents. Our staff must have time to just talk with and build relationships with residents in order to help residents develop a good quality of life. Quality care provided by CNA's and professional nurses in our nursing home takes time and costs money. In order to maintain staffing levels with quality personnel, Jefferson County Nursing Home has to provide comparable compensation and benefit packages with other nursing homes and hospitals.

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. Due to reductions in Medicare and Medicaid reimbursement rates beginning in year ended June 30, 2012, the Nursing Home's overall staffing levels were maintained on average at a 5% lower level during 2013 compared to 2012 while maintaining appropriate nursing staff levels resulting in an overall reduction in salaries, wages and benefits of approximately \$307,000.

Jefferson County Nursing Home's percentage of occupancy was 96.91% for the year ended June 30, 2013, which was an increase from the 96.71% percentage of occupancy for the year ended June 30, 2012, which had increased from the 96.13% occupancy percentage for the year ended June 30, 2011. The lower percentage of occupancy for the year ended June 30, 2011 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 in occupancy rates and revenues.

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 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

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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 \$162.73 from July 1, 2011 through December 31, 2011, \$158.81 from January 1, 2012 through June 30, 2012 and \$165.07 for year ended June 30, 2013. For Medicaid SNF patients, the per-diem rate was \$177.64 from July 1, 2011 through December 31, 2011, \$173.35 from January 1, 2012 through June 30, 2012 and \$178.41 for the year ended June 30, 2013. The per-diem rate for private pay residents in private rooms was \$168.00 for the period July 1, 2011 through January 31, 2012, \$173.00 for the period February 1, 2012 through November 30, 2012 and \$178.00 for the period December 1, 2012 through June 30, 2013. The per-diem rate for private pay residents in semi-private rooms was \$163.00 for the period July 1, 2011 through November 30, 2012 and \$168.00 for the period December 1, 2012 through June 30, 2013.

Operating costs decreased 2.7% for the year ended June 30, 2013 primarily related to maintaining slightly lower staffing levels (see discussion above). Operating costs increased 1% for year ended June 30, 2012. 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 Position (Table 1), and Changes in Net Position (Table 2) for years ended June 30, 2013, 2012 and 2011:

Table 1
Net Position

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|------------------------------------------------------|---------------------|---------------------|---------------------|
| Current and other assets | \$ 2,039,018 | \$ 1,669,624 | \$ 3,105,278 |
| Capital assets | <u>8,512,318</u> | <u>8,775,638</u> | <u>7,589,958</u> |
| Total assets | <u>10,551,336</u> | <u>10,445,262</u> | <u>10,695,236</u> |
| Deferred outflows of resources | <u>157,316</u> | <u>163,737</u> | <u>170,158</u> |
| Long-term debt outstanding | (7,107,362) | (7,287,548) | (7,458,719) |
| Other liabilities | <u>(1,000,987)</u> | <u>(1,125,015)</u> | <u>(988,491)</u> |
| Total liabilities | <u>(8,108,349)</u> | <u>(8,412,563)</u> | <u>(8,447,210)</u> |
| Net position: | | | |
| Net investment in capital assets | 1,224,770 | 1,409,765 | 1,534,289 |
| Restricted component of net position - expendable | 14,758 | 16,738 | 16,727 |
| Unrestricted | <u>1,360,775</u> | <u>769,933</u> | <u>867,168</u> |
| Total net position | <u>\$ 2,600,303</u> | <u>\$ 2,196,436</u> | <u>\$ 2,418,184</u> |

Table 2
Changes in Net Position

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|-------------------------------------|-------------------|---------------------|---------------------|
| Revenue: | | | |
| Routine services | \$ 8,564,012 | \$ 8,109,709 | \$ 7,975,987 |
| Medicare - Part A revenue | 2,934,624 | 2,815,609 | 3,308,854 |
| Medicare - Part B ancillaries | 338,500 | 515,008 | 239,824 |
| Ancillaries | - | 3,509 | 1,289 |
| Other | 23,336 | 29,015 | 24,721 |
| Less: bad debts | <u>(41,288)</u> | <u>25,873</u> | <u>(48,110)</u> |
| Total revenue | 11,819,184 | 11,498,723 | 11,502,565 |
| Expenses: | | | |
| General and administrative | 2,493,206 | 2,470,767 | 2,473,516 |
| Bed license tax | 356,000 | 356,000 | 356,000 |
| Nursing | 4,152,067 | 4,370,098 | 4,345,856 |
| Activities and social services | 209,050 | 217,011 | 228,487 |
| Dietary | 978,724 | 1,017,375 | 1,079,435 |
| Housekeeping | 252,751 | 284,395 | 469,370 |
| Laundry & linen | 171,976 | 154,055 | 22,612 |
| Plant operation and maintenance | 520,106 | 576,241 | 553,673 |
| Medicare expense | 1,183,440 | 1,206,772 | 1,023,785 |
| Drugs | 403,956 | 421,625 | 436,990 |
| Depreciation | 380,885 | 337,385 | 315,062 |
| Interest | 306,735 | 302,326 | 334,994 |
| Nonoperating expenses | <u>6,421</u> | <u>6,421</u> | <u>6,421</u> |
| Total expenses | <u>11,415,317</u> | <u>11,720,471</u> | <u>11,646,201</u> |
| Increase (decrease) in net position | <u>\$ 403,867</u> | <u>\$ (221,748)</u> | <u>\$ (143,636)</u> |

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Management's Discussion and Analysis

June 30, 2013, 2012, and 2011

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013 Jefferson County Nursing Home had \$8,512,318 invested in net capital assets, the majority of which was invested in buildings (\$7,227,060). The remaining capital assets consisted of land, land improvements, vehicles and equipment. Net capital assets decreased by \$263,320 in 2013 and increased \$1,185,680 and \$239,109 during years ended June 30, 2012 and 2011, respectively. The decrease and increases were net of current year additions and current year depreciation. Capital asset additions during years ended June 30, 2013, 2012 and 2011 were primarily from the renovation of the Legacy Building. 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, 2013, 2012 and 2011 (Table 3) and capital asset additions (Table 4).

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

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--------------------------|---------------------|---------------------|---------------------|
| Land | \$ 7,181 | \$ 7,181 | \$ 7,181 |
| Land improvements | 161,344 | 127,455 | 114,513 |
| Buildings | 7,227,060 | 6,400,777 | 6,498,177 |
| Construction in progress | - | 1,292,788 | 204,137 |
| Motor vehicles | 47,782 | 63,668 | 79,554 |
| Equipment | <u>1,068,951</u> | <u>883,769</u> | <u>686,396</u> |
| Totals | <u>\$ 8,512,318</u> | <u>\$ 8,775,638</u> | <u>\$ 7,589,958</u> |

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

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--------------------------|-------------------|---------------------|-------------------|
| Building | \$ 69,322 | \$ 866,178 | \$ 472,004 |
| Land improvements | 44,138 | 21,008 | 65,113 |
| Fixed equipment | - | - | - |
| Movable equipment | 7,703 | 642,996 | 6,262 |
| Transportation equipment | - | - | 23,840 |
| Total Additions | <u>\$ 121,163</u> | <u>\$ 1,530,182</u> | <u>\$ 567,219</u> |

**JEFFERSON COUNTY NURSING HOME
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Management's Discussion and Analysis

June 30, 2013, 2012, and 2011

Debt

At June 30, 2013, the nursing home had \$7,240,000 payable in outstanding bonds plus unamortized bond premium paid in the amount of \$47,548. 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, 2013, including normal accounts payable, salaries payable and vacation leave payable.

Nursing Home Officials - June 30, 2013

Board of Directors:

**Alan Palmieri, Chairman
Todd Kesterson
Linda Franklin, Treasurer
E. M. Rogers, Secretary**

Administration:

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

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 Position

June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,053,359 | \$ 664,665 |
| Patient accounts receivable, less allowance for uncollected accounts of \$4,742 and \$11,363 in 2013 and 2012, respectively | 911,067 | 698,423 |
| Inventories | 34,715 | 34,299 |
| Prepaid expenses | <u>20,419</u> | <u>17,775</u> |
| Total current assets | <u>2,019,560</u> | <u>1,415,162</u> |
| Restricted assets: | | |
| Cash - scholarships for employees | 14,758 | 16,738 |
| Cash - construction contract retainage | - | 58,978 |
| Investments - bond proceeds | <u>-</u> | <u>174,046</u> |
| Total restricted assets | 14,758 | 249,762 |
| Property and equipment, net | 8,512,318 | 8,775,638 |
| Land held for investment | <u>4,700</u> | <u>4,700</u> |
| Total assets | <u>\$ 10,551,336</u> | <u>\$ 10,445,262</u> |
| Deferred outflows of resources: | | |
| Bond issuance costs, net of accumulated amortization of \$35,316 and \$28,895 in 2013 and 2012, respectively | <u>\$ 157,316</u> | <u>\$ 163,737</u> |

See accompanying notes to the financial statements.

JEFFERSON COUNTY NURSING HOME
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Statements of Net Position

June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---------------------------------------------------|----------------------------|----------------------------|
| Liabilities: | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 180,186 | \$ 171,171 |
| Accounts payable | 278,760 | 268,611 |
| Construction costs payable | - | 140,178 |
| Accrued expenses: | | |
| Salaries and wages | 192,008 | 179,888 |
| Vacation/holiday pay | 215,876 | 206,750 |
| Payroll taxes | 16,090 | 22,017 |
| Employee retirement | 25,120 | 62,192 |
| Interest | 26,080 | 26,621 |
| Other | 15,712 | 16,282 |
| Estimated third-party payor settlements | <u>51,155</u> | <u>31,305</u> |
| Total current liabilities | 1,000,987 | 1,125,015 |
| Long-term debt, excluding current portion | <u>7,107,362</u> | <u>7,287,548</u> |
| Total liabilities | <u>8,108,349</u> | <u>8,412,563</u> |
| Net position: | | |
| Net investment in capital assets | 1,224,770 | 1,409,765 |
| Unrestricted | 1,360,775 | 769,933 |
| Restricted component of net position - expendable | <u>14,758</u> | <u>16,738</u> |
| Total net position | <u>\$ 2,600,303</u> | <u>\$ 2,196,436</u> |

See accompanying notes to the financial statements.

JEFFERSON COUNTY NURSING HOME
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Statements of Revenue, Expenses and Changes in Net Position

Years ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Change in unrestricted net position and net investment in capital assets: | | |
| Operating revenue: | | |
| Patient service revenue, net of provisions for bad debts of \$41,288 in 2013 plus \$25,873 of bad debt recoveries in 2012 | \$ 11,795,848 | \$ 11,469,708 |
| Other income | 18,089 | 28,570 |
| Satisfaction of donations restriction | <u>2,000</u> | <u>-</u> |
| Total operating revenue | <u>11,815,937</u> | <u>11,498,278</u> |
| Operating expenses: | | |
| General and administrative | 2,493,206 | 2,470,767 |
| Tennessee nursing home tax | 356,000 | 356,000 |
| Nursing | 4,152,067 | 4,370,098 |
| Activities | 72,086 | 70,523 |
| Social services | 136,964 | 146,488 |
| Dietary | 978,724 | 1,017,375 |
| Housekeeping | 252,751 | 284,395 |
| Laundry and linen | 171,976 | 154,055 |
| Plant operation and maintenance | 520,106 | 576,241 |
| Ancillary services expenses | 1,183,440 | 1,206,772 |
| Drugs | 403,956 | 421,625 |
| Depreciation | <u>380,885</u> | <u>337,385</u> |
| Total operating expenses | <u>11,102,161</u> | <u>11,411,724</u> |
| Operating income | <u>713,776</u> | <u>86,554</u> |
| Nonoperating revenues (expenses): | | |
| Interest income - investments and interest bearing accounts | 2,654 | 372 |
| Bond premium amortization | 6,171 | 7,179 |
| Loss on disposal of capital assets | (3,598) | (7,117) |
| Interest expense | (306,735) | (302,326) |
| Bond issuance cost amortization | <u>(6,421)</u> | <u>(6,421)</u> |
| Nonoperating revenues (expenses) | <u>(307,929)</u> | <u>(308,313)</u> |
| Excess of revenue over (under) expenses | 405,847 | (221,759) |
| Changes in restricted component of net position - expendable: | | |
| Interest income | 20 | 11 |
| Net position released from restrictions | <u>(2,000)</u> | <u>-</u> |
| (Decrease) increase in restricted component of net position - expendable | <u>(1,980)</u> | <u>11</u> |
| Increase (decrease) in net position | <u>403,867</u> | <u>(221,748)</u> |
| Net position at beginning of year | <u>2,196,436</u> | <u>2,418,184</u> |
| Net position at end of year | <u>\$ 2,600,283</u> | <u>\$ 2,196,436</u> |

See accompanying notes to the financial statements.

JEFFERSON COUNTY NURSING HOME
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Statements of Cash Flows

Years ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------------------------------------------------------------|---------------------|--------------------|
| Cash flows from operating activities: | | |
| Receipts from and on behalf of patients | \$ 11,603,054 | \$ 11,603,852 |
| Payments to suppliers and employees | (10,736,510) | (11,036,163) |
| Other receipts and payments, net | <u>20,089</u> | <u>28,570</u> |
| Net cash provided by operating activities | <u>886,633</u> | <u>596,259</u> |
| Cash flows from capital and related financing activities: | | |
| Principal paid on long-term debt | (165,000) | (160,000) |
| Interest paid on long-term debt | (324,781) | (331,181) |
| Purchases of property and equipment | (243,836) | (1,413,986) |
| Decrease (increase) in cash restricted for construction costs | <u>58,978</u> | <u>(58,978)</u> |
| Net cash used by capital and related financing activities | <u>(674,639)</u> | <u>(1,964,145)</u> |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 174,046 | 1,475,643 |
| Investment income | <u>2,654</u> | <u>372</u> |
| Net cash provided by investing activities | <u>176,700</u> | <u>1,476,015</u> |
| Increase in cash and cash equivalents | 388,694 | 108,129 |
| Cash and cash equivalents at beginning of year | <u>664,665</u> | <u>556,536</u> |
| Cash and cash equivalents at end of year | <u>\$ 1,053,359</u> | <u>\$ 664,665</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 713,776 | \$ 86,554 |
| Adjustments to reconcile operating income to cash provided by operating activities: | | |
| Depreciation | 380,885 | 337,385 |
| Provision (recovery) for bad debts | 41,288 | (25,873) |
| (Increase) decrease in operating assets: | | |
| Patient accounts receivable | (253,932) | 166,940 |
| Inventories | (416) | (3,479) |
| Prepaid expenses | (2,644) | (10,460) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 10,149 | (35,926) |
| Accrued expenses | (22,323) | 88,041 |
| Estimated third-party payor settlements | <u>19,850</u> | <u>(6,923)</u> |
| Net cash provided by operating activities | <u>\$ 886,633</u> | <u>\$ 596,259</u> |

See accompanying notes to the financial statements.

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

Notes to the Financial Statements

June 30, 2013 and 2012

(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 four-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 constitutes a 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, which is an economic resources measurement focus approach to accounting. In December 2010, Governmental Accounting Standards Board ("GASB") issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*. GASB 62 and 63 were effective for periods beginning after December 15, 2011. GASB 62 makes the GASB *Accounting Standards Codification* the sole source of authoritative accounting technical literature for governmental entities in the United States of America.

(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 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, 2013 and 2012

(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 does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2013 or 2012.

Financial assets

The carrying amount of financial assets, consisting of cash and cash equivalents, patient 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 fair value. During the years ended June 30, 2013 and 2012, the Nursing Home did not measure any non-financial assets at fair value or recognize any amounts in the statements of revenue, expenses and changes in net position 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 \$5,000 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

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(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 reduced by contractual adjustments of approximately \$113,000 and \$110,000 for the years ended June 30, 2013 and 2012, respectively.

(g) Operating activities

The Nursing Home defines operating activities as reported on the Statements of Revenue, Expenses and Changes in Net Position as those that generally result from exchange transactions, such as payments for providing services and payments for goods and services received. Non-exchange transactions, including investment income and interest expense, are considered non-operating revenue and expenses.

(h) 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 \$17,505 and \$28,330 were capitalized during years ended June 30, 2013 and 2012, respectively.

(i) 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.

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

Notes to the Financial Statements

June 30, 2013 and 2012

(j) 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 statement of net position.

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

(k) 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.

(l) Net position

All resources that are not restricted by donors are included in unrestricted net position. Resources temporarily restricted by donors for specific purposes are reported as restricted component of net position - expendable. 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 position and reported in the statement of revenue, expenses and changes in net position. Resources temporarily restricted by donors for additions to property and equipment are initially reported as restricted component of net position - expendable and are transferred to unrestricted net position when expended. Donor-imposed restrictions which stipulate that the resources be maintained permanently are reported as restricted component of net position - unexpendable. Investment income for the restricted component of net position - unexpendable is classified as either restricted component of net position -expendable or unrestricted based on the intent of the donor. As of June 30, 2013 and 2012, there were no restricted component of net position - unexpendable, while there was a restricted component of net position - expendable restricted for employee scholarships as discussed in Note 3.

The Nursing Home first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

(m) 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.

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

Notes to the Financial Statements

June 30, 2013 and 2012

(n) 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.

(o) 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.

(p) Performance indicator

Excess of revenue over (under) expenses reflected in the accompanying statements of revenue, expenses and changes in net position is a performance indicator.

(q) Adoption of new accounting pronouncements

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement amends accounting standards relating to the application of FASB Statements that do not contradict GASB pronouncements and incorporates into the GASB authoritative literature certain accounting and financial reporting guidance to bring all authoritative literature together in one place.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and identifies net position as the residual of all other elements presented in a statement of financial position.

These amendments were effective for financial statements for fiscal years beginning after December 15, 2011. Therefore the Nursing Home adopted these standards at the beginning of fiscal year 2013. The adoption of these accounting standards did not have a material impact on the Nursing Home's financial statements.

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

Notes to the Financial Statements

June 30, 2013 and 2012

(r) New accounting pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities and is effective for financial statements for fiscal years beginning after December 15, 2012. Therefore the Nursing Home expects to adopt these standards at the beginning of fiscal year 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement relates to accounting and financial reporting for government combinations and disposals of government operations and is effective for financial statements for fiscal years beginning after December 15, 2013. Therefore the Nursing Home expects to adopt these standards at the beginning of fiscal year 2015.

In March 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees and is effective for financial statements for fiscal years beginning after June 15, 2013. Therefore the Nursing Home expects to adopt these standards at the beginning of fiscal year 2014.

The Nursing Home is currently assessing the impact of adopting these accounting standards.

(s) Events occurring after reporting date

The Nursing Home has evaluated events and transactions that occurred between June 30, 2013 and October 8, 2013, 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. One employee received a \$2,000 scholarship during year ended June 30, 2013. No employee received a scholarship during year ended June 30, 2012.

JEFFERSON COUNTY NURSING HOME
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Notes to the Financial Statements

June 30, 2013 and 2012

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 progressed, draws were requested by the trustee, and, upon receipt, the county finance officer forwarded the funds to the Nursing Home. There were no bond proceeds remaining at June 30, 2013. At June 30, 2012 the remaining bond proceeds of \$174,046 was invested in interest bearing cash.

Cash held in the construction contract retainage at June 30, 2012 represented 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. The funds were paid to the contractor during year ended June 30, 2013.

(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, 2013 and 2012.

(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.

JEFFERSON COUNTY NURSING HOME
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Notes to the Financial Statements

June 30, 2013 and 2012

(d) Credit 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, 2013 and 2012, the Nursing Home had net receivables from the Federal Government (Medicare) of approximately \$410,000 and \$187,000 and from Medicaid of approximately \$267,000 and \$258,000, respectively. Medicare comprised 28% and 29% and Medicaid comprised 48% and 49% of net patient service revenue for the years ended June 30, 2013 and 2012, respectively.

(5) Inventories

A summary of inventories as of June 30, 2013 and 2012 is as follows:

| | <u>2013</u> | <u>2012</u> |
|-----------------------|------------------|------------------|
| Food | \$ 13,612 | \$ 13,937 |
| Medical supplies | 10,863 | 6,787 |
| Housekeeping supplies | 2,859 | 4,452 |
| Maintenance supplies | <u>7,381</u> | <u>9,123</u> |
| | <u>\$ 34,715</u> | <u>\$ 34,299</u> |

(6) Property and equipment

The net investment in capital assets as of June 30, 2013 and 2012 is as follows:

| | <u>2013</u> | <u>2012</u> |
|-------------------------------------------|---------------------|---------------------|
| Property and equipment, net | \$ 8,512,318 | \$ 8,775,638 |
| Current portion of long-term debt | (180,186) | (171,171) |
| Long-term debt, excluding current portion | (7,107,362) | (7,287,548) |
| Construction costs payable | - | (140,178) |
| Investments - bond proceeds | - | 174,046 |
| Cash - construction contract retainage | <u>-</u> | <u>58,978</u> |
| | <u>\$ 1,224,770</u> | <u>\$ 1,409,765</u> |

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

Notes to the Financial Statements

June 30, 2013 and 2012

The major classifications and changes in property and equipment as of and for the years ended June 30, 2013 and 2012 are as follows:

| | Balance at <u>July 1, 2012</u> | Additions/ <u>Transfers</u> | Placed in Service/ <u>Retirements</u> | Balance at <u>June 30, 2013</u> |
|------------------------------------------------------|-----------------------------------|--------------------------------|---------------------------------------------|------------------------------------|
| Land | \$ 7,181 | \$ - | \$ - | \$ 7,181 |
| Land improvements | 186,428 | 44,139 | - | 230,567 |
| Buildings and improvements | 8,795,052 | 1,043,959 | (3,232) | 9,835,779 |
| Machinery and equipment | 1,901,045 | 325,853 | (18,305) | 2,208,593 |
| Transportation equipment | <u>100,166</u> | <u>-</u> | <u>-</u> | <u>100,166</u> |
| | <u>10,989,872</u> | <u>1,413,951</u> | <u>(21,537)</u> | <u>12,382,286</u> |
| Less allowance for depreciation and amortization: | | | | |
| Land improvements | (58,973) | (10,250) | - | (69,223) |
| Buildings and improvements | (2,394,275) | (214,531) | (87) | (2,608,719) |
| Machinery and equipment | (1,017,276) | (140,218) | (17,852) | (1,139,642) |
| Transportation equipment | <u>(36,498)</u> | <u>(15,886)</u> | <u>-</u> | <u>(52,384)</u> |
| | <u>(3,507,022)</u> | <u>(380,885)</u> | <u>(17,939)</u> | <u>(3,869,968)</u> |
| | 7,482,850 | 1,033,066 | (3,598) | 8,512,318 |
| Construction in progress | <u>1,292,788</u> | <u>(1,292,788)</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 8,775,638</u> | <u>\$ (259,722)</u> | <u>\$ (3,598)</u> | <u>\$ 8,512,318</u> |
| | | | | |
| | Balance at <u>July 1, 2011</u> | Additions/ <u>Transfers</u> | Placed in Service/ <u>Retirements</u> | Balance at <u>June 30, 2012</u> |
| Land | \$ 7,181 | \$ - | \$ - | \$ 7,181 |
| Land improvements | 165,420 | 21,008 | - | 186,428 |
| Buildings and improvements | 8,727,370 | 95,665 | (27,983) | 8,795,052 |
| Machinery and equipment | 1,738,737 | 324,858 | (162,550) | 1,901,045 |
| Transportation equipment | <u>100,166</u> | <u>-</u> | <u>-</u> | <u>100,166</u> |
| | <u>10,738,874</u> | <u>441,531</u> | <u>(190,533)</u> | <u>10,989,872</u> |
| Less allowance for depreciation and amortization: | | | | |
| Land improvements | (50,907) | (8,066) | - | (58,973) |
| Buildings and improvements | (2,229,193) | (192,918) | (27,836) | (2,394,275) |
| Machinery and equipment | (1,052,341) | (120,515) | (155,580) | (1,017,276) |
| Transportation equipment | <u>(20,612)</u> | <u>(15,886)</u> | <u>-</u> | <u>(36,498)</u> |
| | <u>(3,353,053)</u> | <u>(337,385)</u> | <u>(183,416)</u> | <u>(3,507,022)</u> |
| | 7,385,821 | 104,146 | (7,117) | 7,482,850 |
| Construction in progress | <u>204,137</u> | <u>1,088,651</u> | <u>-</u> | <u>1,292,788</u> |
| | <u>\$ 7,589,958</u> | <u>\$ 1,192,797</u> | <u>\$ (7,117)</u> | <u>\$ 8,775,638</u> |

JEFFERSON COUNTY NURSING HOME
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Notes to the Financial Statements

June 30, 2013 and 2012

Reconciliation of additions/transfers above to statements of cash flows for the years ended June 30, 2013 and 2012 are as follows:

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------------------------------------------------------------------|-----------------------|-------------------------|
| Additions/transfers above including construction in progress | \$ 121,163 | \$ 1,530,182 |
| Construction costs payable at June 30, 2012 | 140,178 | (140,178) |
| Interest capitalized, included as interest paid on long-term debt on statements of cash flows | (17,505) | (28,330) |
| Construction costs payable at June 30, 2011 | <u>-</u> | <u>52,312</u> |
| Purchases of property & equipment per statements of cash flows | \$ <u>243,836</u> | \$ <u>1,413,986</u> |

(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, 2013 and 2012 is as follows:

| | <u>Balance at July 1, 2012</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at June 30, 2013</u> | <u>Amounts Due Within One Year</u> |
|-------------------|------------------------------------|------------------|---------------------|-------------------------------------|--------------------------------------------|
| General | | | | | |
| Obligation | | | | | |
| Bonds - 2007 | \$ 7,405,000 | \$ - | \$ (165,000) | \$ 7,240,000 | \$ 175,000 |
| Bond premium | <u>53,719</u> | <u>-</u> | <u>(6,171)</u> | <u>47,548</u> | <u>5,186</u> |
| | <u>\$ 7,458,719</u> | <u>\$ -</u> | <u>\$ (171,171)</u> | <u>\$ 7,287,548</u> | <u>\$ 180,186</u> |

| | <u>Balance at July 1, 2011</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at June 30, 2012</u> | <u>Amounts Due Within One Year</u> |
|-------------------|------------------------------------|------------------|---------------------|-------------------------------------|--------------------------------------------|
| General | | | | | |
| Obligation | | | | | |
| Bonds - 2007 | \$ 7,565,000 | \$ - | \$ (160,000) | \$ 7,405,000 | \$ 165,000 |
| Bond premium | <u>60,898</u> | <u>-</u> | <u>(7,179)</u> | <u>53,719</u> | <u>6,171</u> |
| | <u>\$ 7,625,898</u> | <u>\$ -</u> | <u>\$ (167,179)</u> | <u>\$ 7,458,719</u> | <u>\$ 171,171</u> |

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

Notes to the Financial Statements

June 30, 2013 and 2012

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 statements of net assets as an addition to the face amount of the bonds. Premium amortization for the fiscal years ended June 30, 2013 and 2012 totaled \$6,171 and \$7,179, 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 statements of net position and amortized over the life of the bonds. The amortization totaled \$6,421 for each of the years ended June 30, 2013 and 2012.

The coupon rates range from 4.0% to 4.4% 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, 2013 is as follows:

| <u>Year</u> | <u>Bond Premium Amortization</u> | <u>Principal</u> | <u>Estimated Interest</u> | <u>Total Payments</u> |
|-------------|------------------------------------------|---------------------|-------------------------------|---------------------------|
| 2014 | \$ 5,186 | \$ 175,000 | \$ 318,000 | \$ 493,000 |
| 2015 | 4,200 | 180,000 | 311,000 | 491,000 |
| 2016 | 3,236 | 190,000 | 304,000 | 494,000 |
| 2017 | 2,271 | 200,000 | 296,000 | 496,000 |
| 2018 | 1,799 | 205,000 | 288,000 | 493,000 |
| 2019 - 2023 | 9,774 | 1,180,000 | 1,292,000 | 2,472,000 |
| 2024 - 2028 | 11,455 | 1,475,000 | 1,001,000 | 2,476,000 |
| 2029 - 2033 | 7,731 | 1,835,000 | 645,000 | 2,480,000 |
| 2034 - 2037 | <u>1,896</u> | <u>1,800,000</u> | <u>202,000</u> | <u>2,002,000</u> |
| | <u>\$ 47,548</u> | <u>\$ 7,240,000</u> | <u>\$ 4,657,000</u> | <u>\$ 11,897,000</u> |

JEFFERSON COUNTY NURSING HOME
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June 30, 2013 and 2012

(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, 2013 and 2012, the Nursing Home's annual pension costs were approximately \$575,000 and \$578,000, respectively.

(9) Commitments and contingencies

The Nursing Home leases various equipment under short-term operating lease agreements. Rent expense totaled \$10,885 and \$6,535 in 2013 and 2012, respectively.

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.

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

Notes to the Financial Statements

June 30, 2013 and 2012

Healthcare Industry

The delivery of personal health care services entails an inherent risk of liability. Participants in the health care services industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant exposure and defense costs. 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 also maintains insurance for general liability, director and officer liability and property.

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

Healthcare Reform

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the "Health Care Reform Legislation"). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation become effective at various dates over the next several years and a number of additional steps are required to implement these requirements. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding health care policies. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation. While the full impact of the Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance and managed competition may materially impact the Nursing Home's operations.

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

Notes to the Financial Statements

June 30, 2013 and 2012

(10) Functional expenses

The following is a summary of management's functional classification of operating expenses:

| | <u>2013</u> | <u>2012</u> |
|----------------------------|----------------------|----------------------|
| Healthcare services | \$ 8,608,955 | \$ 8,940,957 |
| General and administrative | <u>2,493,206</u> | <u>2,470,767</u> |
| | <u>\$ 11,102,161</u> | <u>\$ 11,411,724</u> |

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

Schedules of Operating Revenue

Years ended June 30, 2013 and 2012

| | <u>2013</u> | | <u>2012</u> |
|------------------------------------------------|-----------------------------|-----------|--------------------------|
| Routine services - Private ICF/SNF | \$ 1,632,717 | \$ | 1,733,040 |
| Routine services - Medicaid ICF | 5,480,551 | | 5,391,645 |
| Routine services - Medicaid SNF | 169,668 | | 242,956 |
| Routine services - Hospice ICF | 649,550 | | 384,928 |
| Routine services - Hospice SNF | - | | 62,525 |
| Routine services - commercial insurance/HMO | 629,401 | | 350,300 |
| Medicare - Part A revenue | 2,934,624 | | 2,815,609 |
| Medicare - Part B ancillaries | 338,500 | | 515,008 |
| Ancillaries - hospice/commercial insurance/HMO | - | | 3,509 |
| Prior period revenue adjustments | 2,125 | | (55,685) |
| Bad debts | (41,288) | | 25,873 |
| Employee and visitor meals | 5,490 | | 7,584 |
| Telephone | 8,469 | | 9,834 |
| Other income | 4,130 | | 11,152 |
| Satisfaction of donations restriction | <u>2,000</u> | | <u>-</u> |
| Total operating revenue | \$ <u>11,815,937</u> | \$ | <u>11,498,278</u> |

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

Schedules of Operating Expenses

Years ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|------------------------------------|---------------------|---------------------|
| General and administrative: | | |
| Salaries | | |
| Administrator | \$ 114,902 | \$ 109,081 |
| Assistant administrator | 72,155 | 70,912 |
| Administrative staff | 196,215 | 200,704 |
| Information tech | 58,535 | 58,051 |
| Payroll taxes | 31,741 | 32,101 |
| Forms and office supplies | 37,258 | 36,493 |
| Telephone | 31,718 | 31,347 |
| License and dues | 24,041 | 18,861 |
| Professional services - other | 4,476 | 7,600 |
| Professional services - accounting | 18,606 | 16,417 |
| Professional services - legal | - | 67 |
| Insurance | | |
| Employee life insurance | 8,193 | 10,214 |
| Employee health insurance | 932,394 | 965,700 |
| Commercial insurance | 95,437 | 98,349 |
| Workers' compensation insurance | 167,759 | 125,627 |
| Retirement | 574,917 | 578,470 |
| Bank charges | 161 | 1,510 |
| Employee physicals | 9,394 | 10,307 |
| Training, seminars and conferences | 6,352 | 6,168 |
| Travel expenses | 9,146 | 9,742 |
| Advertising | 8,878 | 8,491 |
| IT services | 11,355 | 11,386 |
| Other compensation and awards | 28,761 | 15,615 |
| Flowers and gifts | 2,633 | 2,622 |
| Employee background checks | 850 | 793 |
| Minor equipment | 23,365 | 24,389 |
| Equipment rental | 10,885 | 6,535 |
| Postage and delivery | 3,500 | 4,475 |
| Barber and beauty expenses | 9,579 | 8,740 |
| Total general and administrative | <u>\$ 2,493,206</u> | <u>\$ 2,470,767</u> |
| Tennessee nursing home tax | <u>\$ 356,000</u> | <u>\$ 356,000</u> |
| Nursing | | |
| Salaries | | |
| Director of nursing | \$ 80,464 | \$ 79,868 |
| Assistant director of nursing | 55,845 | 57,357 |
| Green house guide | 9,769 | 22,753 |
| Minimum Data Set | 115,126 | 111,933 |
| Unit managers | 132,542 | 199,267 |
| Registered nurses | 109,874 | 57,673 |
| Licensed practical nurses | 1,245,906 | 1,238,094 |
| Certified nursing assistants | 1,815,069 | 1,987,096 |
| Feeding assistants | 41,642 | 51,119 |
| Payroll taxes | 288,245 | 303,958 |
| Medical director | 17,760 | 16,280 |
| Supplies | 239,127 | 243,430 |
| Training, seminars and conferences | 698 | 1,270 |
| Total nursing | <u>\$ 4,152,067</u> | <u>\$ 4,370,098</u> |

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

Schedules of Operating Expenses

Years ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|-------------------|---------------------|
| Activities | | |
| Salaries | | |
| Activities director | \$ 31,712 | \$ 33,249 |
| Activities staff | 27,969 | 24,050 |
| Payroll taxes | 4,805 | 4,614 |
| Supplies | 7,600 | 8,610 |
| Total activities | <u>\$ 72,086</u> | <u>\$ 70,523</u> |
| Social services | | |
| Salaries | | |
| Social services director | \$ 38,414 | \$ 40,006 |
| Social services staff | 88,497 | 95,941 |
| Payroll taxes | 10,053 | 10,541 |
| Total social services | <u>\$ 136,964</u> | <u>\$ 146,488</u> |
| Dietary | | |
| Salaries | | |
| Dietary supervisor | \$ 34,799 | \$ 34,194 |
| Dietary staff | 337,889 | 357,691 |
| Payroll taxes | 30,355 | 32,100 |
| Food | 504,008 | 520,163 |
| Supplies | 41,934 | 39,679 |
| Dietary consultant | 27,850 | 26,497 |
| Minor equipment | 1,889 | 7,051 |
| Total dietary | <u>\$ 978,724</u> | <u>\$ 1,017,375</u> |
| Housekeeping | | |
| Salaries | | |
| Housekeeping supervisor | \$ 37,200 | \$ 34,907 |
| Housekeeping staff | 166,042 | 182,142 |
| Payroll taxes | 17,385 | 18,727 |
| Supplies | 32,124 | 48,619 |
| Total housekeeping | <u>\$ 252,751</u> | <u>\$ 284,395</u> |
| Laundry and linen | | |
| Salaries | \$ 113,635 | \$ 105,539 |
| Payroll taxes | 8,453 | 8,409 |
| Supplies | 40,233 | 30,211 |
| Minor equipment | - | 349 |
| Linen and bedding | 9,655 | 9,547 |
| Total laundry and linen | <u>\$ 171,976</u> | <u>\$ 154,055</u> |

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

Schedules of Operating Expenses

Years ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|----------------------------------------|----------------------|----------------------|
| Plant operation and maintenance | | |
| Salaries | | |
| Maintenance supervisor | \$ 41,775 | \$ 44,795 |
| Maintenance staff | 39,383 | 55,963 |
| Payroll taxes | 6,498 | 7,800 |
| Gas | 88,118 | 85,612 |
| Electricity | 160,870 | 167,615 |
| Water and sewer | 63,520 | 75,923 |
| Supplies | 78,264 | 93,761 |
| Minor equipment | 6,637 | 7,652 |
| Pest control | 7,488 | 7,815 |
| Waste disposal | 17,220 | 14,076 |
| Grounds | <u>10,333</u> | <u>15,229</u> |
| Total plant operation and maintenance | <u>\$ 520,106</u> | <u>\$ 576,241</u> |
| Ancillary services expenses | | |
| Medicare Part A - therapy | \$ 599,645 | \$ 537,993 |
| Medicare Part A - lab | 22,476 | 21,161 |
| Medicare Part A - other services | 8,201 | 6,282 |
| HMO/MCO physical therapy | 63,175 | 38,494 |
| HMO/MCO occupational therapy | 52,344 | 42,376 |
| HMO/MCO speech therapy | 30,517 | 17,360 |
| Medicare Part B - physical therapy | 128,240 | 177,195 |
| Medicare Part B - occupational therapy | 63,355 | 96,185 |
| Medicare Part B - speech therapy | 79,503 | 135,906 |
| Private pay - physical therapy | 267 | (267) |
| Private pay - occupational therapy | 346 | (346) |
| Private pay - speech therapy | 171 | (171) |
| Hospice - occupational therapy | (425) | - |
| Lab fees | - | 20 |
| Ambulance expense | 51,047 | 47,467 |
| X-ray | 15,457 | 12,772 |
| Transportation | 3,944 | 5,236 |
| Respiratory services | <u>65,177</u> | <u>69,109</u> |
| Total ancillary services expenses | <u>\$ 1,183,440</u> | <u>\$ 1,206,772</u> |
| Drugs | | |
| Drugs Part A | \$ 355,388 | \$ 345,308 |
| Drugs Part D | 25,517 | 29,335 |
| Pharmacy consultant | 10,019 | 9,313 |
| Floor stock drugs and supplies | <u>13,032</u> | <u>37,669</u> |
| Total drugs | <u>\$ 403,956</u> | <u>\$ 421,625</u> |
| Depreciation | <u>\$ 380,885</u> | <u>\$ 337,385</u> |
| Total operating expenses | <u>\$ 11,102,161</u> | <u>\$ 11,411,724</u> |

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

Nursing Home Statistics

Years Ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|----------------------------------------------|-----------------|------------------|
| Days in fiscal year | 365 | 366 |
| Total resident beds, end of year | 160 | 160 |
| Maximum patient days | 58,400 | 58,560 |
| Chargeable resident days | 56,598 | 56,632 |
| Percent of occupancy on chargeable days | 96.91% | 96.71% |
| | | |
| Total revenue | \$ 11,819,184 | \$ 11,498,712 |
| Average income per chargeable day | \$ 208.83 | \$ 203.04 |
| | | |
| Total expenses | \$ 11,415,317 | \$ 11,720,471 |
| Average expenses per chargeable day | \$ 201.69 | \$ 206.96 |
| | | |
| Average income per chargeable day | \$ 208.83 | \$ 203.04 |
| Average expenses per chargeable day | <u>(201.69)</u> | <u>(206.96)</u> |
| Average net income (loss) per chargeable day | <u>\$ 7.14</u> | <u>\$ (3.92)</u> |
| | | |
| Average revenue per day | \$ 32,381 | \$ 31,417 |
| Average expenses per day | <u>(31,275)</u> | <u>(32,023)</u> |
| Average net income (loss) per day | <u>\$ 1,106</u> | <u>\$ (606)</u> |
| | | |
| Total salaries | \$ 5,005,359 | \$ 5,252,385 |
| Average daily salary | \$ 13,713 | \$ 14,351 |
| | | |
| Total cost of meals | \$ 978,724 | \$ 1,017,375 |
| Meals served | 174,634 | 176,572 |
| Average cost per meal | \$ 5.60 | \$ 5.76 |



**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 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, the financial statements of Jefferson County Nursing Home (the "Nursing Home"), a component unit of Jefferson County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Nursing Home's basic financial statements, and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Nursing Home's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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* - Continued

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Nursing Home's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nursing Home's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Zattimore Black Morgan & Cain, PC

Knoxville, Tennessee
October 8, 2013