

**WEAKLEY COUNTY NURSING HOME**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**June 30, 2013**

**WEAKLEY COUNTY NURSING HOME  
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## **INTRODUCTORY SECTION**

**WEAKLEY COUNTY NURSING HOME**

June 30, 2013

**BOARD OF COMMISSIONERS**

Kevin McAlpin, chairman

Joe Farmer

Dale Overton

Julia Rich

Larry Taylor

Roger Stewart

**ADMINISTRATIVE STAFF**

David McBride, director

## **FINANCIAL SECTION**

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AICPA Center for Public Company Audit Firms  
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## Independent Auditor's Report

Board of Commissioners  
Weakley County Nursing Home  
Dresden, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Weakley County Nursing Home, a component unit of Weakley 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 as listed in the table of contents.

### **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.

### **Auditor's Responsibility**

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 from 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 auditor's 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 Weakley County Nursing Home as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 3C to the financial statements, the Nursing Home reported a prior period adjustment to correct accounts receivable. During the current year, management discovered uncollectible amounts related to Medicare reimbursements and co-insurance that were included in current accounts receivable. Beginning net position was decreased by \$946,812 as a result of writing off these uncollectible balances. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 7 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Weakley County Nursing Home's basic financial statements. The introductory section and supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of operating expenses is the responsibility of management and was derived from and relates 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 schedule of operating expenses is fairly stated, in all material respects, in relation to the basic 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.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Weakley County Nursing Home's internal control over financial reporting and compliance.

*Alexander Thompson Arnold PLLC*

McKenzie, Tennessee  
September 20, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Weakley County 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, 2013.

### FINANCIAL HIGHLIGHTS

- The assets of the Nursing Home exceeded its liabilities at the close of the most recent fiscal year by \$4.9 million (*net position*). This is a decrease of \$739 thousand from last year. The decrease was the result of a prior period adjustment for \$947 thousand to write off old, uncollectible accounts receivable balances.
- During the fiscal year ended June 30, 2013, the Nursing Home had income from operations of \$184,494. This is a decrease of \$52,150 from the prior year's income from operations.
- The change in net position from current year operations was \$208 thousand, compared to \$266 thousand in the prior year.
- The Nursing Home purchased capital assets of \$217,432 during the current year.

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

This report also contains 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 Position presents information on all of the Nursing Home's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 Position presents information showing how the Nursing Home's net position changed during the most recent fiscal year. All changes in net position 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 receivables, 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. The notes follow the basic financial statements in this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Nursing Home, assets exceeded liabilities by \$4.9 million at the close of the most recent fiscal year. A large portion of the Nursing Home's net position (28%) represents its investment in capital assets used to provide services to patients. The remaining balance of net position (72%) represents unrestricted net position. Therefore, the Nursing Home appears fairly strong based on the large percentage of net position still available.

#### Condensed Statement of Net Position

	June 30,		Increase
	2013	2012	(Decrease)
Current and other assets	\$ 3,892,736	\$ 4,697,239	\$ (804,503)
Capital assets	1,398,153	1,338,007	60,146
Total assets	<u>5,290,889</u>	<u>6,035,246</u>	<u>(744,357)</u>
Current liabilities	338,111	335,915	2,196
Other liabilities	29,352	37,132	(7,780)
Total liabilities	<u>367,463</u>	<u>373,047</u>	<u>(5,584)</u>
Net position:			
Investment in capital assets	1,398,153	1,338,007	60,146
Unrestricted	<u>3,525,273</u>	<u>4,324,192</u>	<u>(798,919)</u>
Total net position	<u>\$ 4,923,426</u>	<u>\$ 5,662,199</u>	<u>\$ (738,773)</u>

During the current fiscal year, the Nursing Home's net position decreased by \$739 thousand. However, this decrease was caused by a prior period adjustment made to accounts receivable to write off old, uncollectible balances from prior years. The outstanding balances that have now been written off stretch back to 2002, the year the facility started providing Skilled services. During this time period, management consulted with billing personnel and BKD, a long-term care management company, who provided training to the facility's staff responsible for benefits verifications and claims submissions. Due to the complexity of the billing requirements, some turnover in staff was necessary. In 2011, the facility administrator placed an individual who had extensive training and experience in Medicare and private insurance billing over the submission of Skilled claims and collection of Medicare and private insurances. A significant improvement has been achieved in the collection process since that time. The Nursing Home board members will review the facility's aging every six (6) months.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Statement of Revenues, Expenses, and Changes in Net Position

Revenues exceeded expenses by \$208,039 for the current fiscal year. This is a decrease of \$57,778 from last year. Although total revenues increased by \$15,615 over last year, total expenses increased by \$73,393.

### Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30,		Increase
	2013	2012	(Decrease)
Revenues:			
Medicaid I	\$ 4,177,324	\$ 3,699,397	\$ 477,927
Private pay	755,283	1,085,422	(330,139)
Medicare A	2,349,690	2,537,868	(188,178)
Medicare B	175,578	219,154	(43,576)
Medicaid II	289,259	227,808	61,451
Other	248,843	205,085	43,758
Operating revenues	7,995,977	7,974,734	21,243
Operating expenses			
General and administrative	972,688	1,001,189	(28,501)
Employee benefits	1,282,661	1,300,752	(18,091)
Dietary	782,297	767,160	15,137
Housekeeping	209,838	213,147	(3,309)
Laundry and linen	200,025	190,514	9,511
Plant operation and maintenance	429,235	354,322	74,913
Medical and nursing	2,755,128	2,729,787	25,341
Recreational activities	57,437	55,557	1,880
Social services	87,077	82,024	5,053
Medicare expenses	877,811	905,047	(27,236)
Depreciation	157,286	138,591	18,695
Total expenses	7,811,483	7,738,090	73,393
Operating income	184,494	236,644	(52,150)
Non-operating revenues			
Interest	23,545	29,173	(5,628)
Increase in net position	208,039	265,817	(57,778)
Net position - beginning	5,662,199	5,396,382	265,817
Prior period adjustment	(946,812)	-	(946,812)
Net position - restated	4,715,387	5,396,382	(680,995)
Net position - ending	\$ 4,923,426	\$ 5,662,199	\$ (738,773)

The increase in Medicaid revenue was offset by the decrease in private pay revenue; therefore, overall revenue remained steady. Interest income decreased by \$5,600. General and administrative expenses decreased slightly, as well as employee benefits expense. Plant operation and maintenance increased 21%. The facility invested \$155,295 in wireless internet service throughout the facility, new desks and lap top computers, wall-mounted kiosks placed throughout the building, and a new software program and training for its nursing and financial operation.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets** - At the end of Fiscal Year 2013, the Nursing Home had invested \$1,398,153, net of accumulated depreciation, in a variety of capital assets. Capital asset additions for the year were \$217,432 and depreciation on capital assets was \$157,286, for a net increase of \$60,146. Additional information on the Nursing Home's capital assets can be found in Notes 1 and 2 beginning on page 12 of this report.

The Nursing Home had no debt as of June 30, 2013.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The facility will have more struggles with Medicare due to promised Recovery Audits, and only individuals requiring extensive nursing and rehabilitation are candidates for nursing home care. More money is being directed toward individuals who opt to remain or return home with some oversight and assistance. A larger number of residents in the facility are choosing to receive hospice services while remaining in the nursing home. The Comptroller's office has not released any new Level 1 and Level 2 rates for the current 2013/2014 operating year. All these issues and many more will play a very vital role in the facility's solvency in the current year.

### **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 POSITION**  
June 30, 2013

**ASSETS**

**Current assets**

Cash on hand and in bank		\$ 2,448,216
Certificates of deposit		627,430
Accounts receivable		702,719
Inventory - supplies		74,787
Prepaid insurance		9,866
Uniform cost due from employees		366
<b>Total current assets</b>		<b>3,863,384</b>

**Capital assets**

Land	2,371	
Land improvements	64,212	
Buildings and improvements	2,917,234	
Equipment	1,482,577	
Vehicles	31,818	
Other capital assets	40,815	
<b>Total capital assets</b>	<b>4,539,027</b>	
Less: accumulated depreciation	<b>(3,140,874)</b>	
<b>Net capital assets</b>		<b>1,398,153</b>

**Restricted assets**

Cash on hand and in bank - patient trust fund		29,352
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**Total assets** **5,290,889**

**LIABILITIES**

**Current liabilities**

Accounts payable	152,711	
Nursing home tax payable	25,217	
Accrued salaries and wages	70,803	
Employee retirement and insurance payable	29,646	
Accrued vacation	59,734	
<b>Total current liabilities</b>	<b>338,111</b>	

**Other liabilities**

Patient trust fund	29,352	
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**Total liabilities** **367,463**

**NET POSITION**

Investment in capital assets	1,398,153	
Unrestricted	3,525,273	

**Total net position** **\$ 4,923,426**

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

**WEAKLEY COUNTY NURSING HOME**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Year Ended June 30, 2013

Operating income		
Medicaid I, net of contractual		\$4,177,324
Private pay		755,283
Hospice, net of contractual		237,430
Medicare A, net of contractual and bad debts		2,349,690
Medicare B, net of contractual		175,578
Medicaid II, net of contractual		289,259
Meals on Wheels, net of contractual		10,689
Respite Medicaid		<u>724</u>
Total operating income		7,995,977
Operating expenses		
General and administrative	972,688	
Employee benefits	1,282,661	
Dietary	782,297	
Housekeeping	209,838	
Laundry and linen	200,025	
Plant operation and maintenance	429,235	
Medical and nursing	2,755,128	
Recreational activities	57,437	
Social services	87,077	
Medicare expenses	877,811	
Depreciation	<u>157,286</u>	
Total operating expenses		<u>7,811,483</u>
<b>Income from operations</b>		<b>184,494</b>
Nonoperating income		
Interest income		<u>23,545</u>
<b>Change in net position</b>		<b>208,039</b>
Net position - beginning of year	5,662,199	
Prior period adjustment	<u>(946,812)</u>	
Net position - beginning of year, as restated		<u>4,715,387</u>
Net position - end of year		<u>\$4,923,426</u>

*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, 2013

**Cash flows from operating activities:**

Receipts from patient charges	\$7,984,878
Payments to vendors	(2,692,070)
Payments to employees and for employee benefits	<u>(4,959,931)</u>
Net cash provided by operating activities	332,877

**Cash flows from capital and related financing activities:**

Purchases of equipment	(217,432)
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**Cash flows from investing activities:**

Purchase of certificate of deposit	(4,305)
Interest received	<u>23,545</u>
Net cash provided by investing activities	<u>19,240</u>

**Net increase in cash and cash equivalents** **134,685**

Cash and cash equivalents - beginning of year 2,313,531

Cash and cash equivalents - end of year \$2,448,216

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

Income from operations	\$ 184,494
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	157,286
Bad debts written off	195,052
Changes in operating assets and liabilities:	
Accounts receivable, net	(206,151)
Accounts payable	(14,446)
Accrued salaries and wages	28,306
Employee retirement and insurance payable	<u>(11,664)</u>
Total adjustments	<u>148,383</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ 332,877</u></b>

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

**WEAKLEY COUNTY NURSING HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**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. Measurement Focus and 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. Enterprise funds are a type of proprietary fund, and, as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by GASB. Proprietary fund types are reported using the *economic resources* measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entity's net position. The accrual basis of accounting recognizes income as it is earned and expenses as they are incurred, whether or not cash is received or paid out at that time.

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

**C. Assets, Liabilities and Net Position**

**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.

**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.

**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, \$195,052 in bad debts were written off and recoveries of \$100,239 were collected.

**WEAKLEY COUNTY NURSING HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Depreciation**

Capital 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:

Asset Classification	Estimated Useful Life
Buildings and improvements	5 – 40 years
Equipment	5 – 15 years
Vehicles	5 years
Other capital assets	7 – 10 years

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.

**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.

**Impact of recently issued accounting pronouncements**

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the Nursing Home's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows and inflows of resources, which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all other elements presented in a statement of financial position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of June 30, 2013, the Nursing Home had no deferred outflows or deferred inflows of resources.

**Net position flow assumption**

Sometimes the Nursing Home will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Nursing Home's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**WEAKLEY COUNTY NURSING HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE 2 – DETAILED NOTES ON ACCOUNTS**

**A. Deposits and Investments**

The Nursing Home's policies limit deposits and investments to those instruments allowed by applicable state laws. State statute 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, and the state pooled investment fund.

Custodial credit risk of deposits is the risk that in the event of a bank failure the government's deposits may not be returned to it. State statute requires 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 or 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. 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, 2013, all bank deposits were fully collateralized or insured.

**B. Changes in Capital Assets**

Capital assets activity for the year ended June 30, 2013, was as follows:

Description	Balance 7/01/12	Additions	Disposals	Balance 6/30/13
Capital assets, not being depreciated				
Land	\$ 2,371	\$ -	\$ -	\$ 2,371
Capital assets, being depreciated				
Land improvements	64,212	-	-	64,212
Building	2,917,234	-	-	2,917,234
Equipment	1,265,145	217,432	-	1,482,577
Vehicles	31,818	-	-	31,818
Other	40,815	-	-	40,815
Total capital assets being depreciated	<u>4,319,224</u>	<u>217,432</u>	<u>-</u>	<u>4,536,656</u>
Less accumulated depreciation				
Land improvements	39,926	1,854	-	41,780
Building	1,776,589	78,713	-	1,855,302
Equipment	1,101,607	72,419	-	1,174,026
Vehicles	24,651	4,300	-	28,951
Other	40,815	-	-	40,815
Total accumulated depreciation	<u>2,983,588</u>	<u>157,286</u>	<u>-</u>	<u>3,140,874</u>
Net capital assets being depreciated	<u>1,335,636</u>	<u>60,146</u>	<u>-</u>	<u>1,395,782</u>
Total capital assets, net	<u>\$ 1,338,007</u>	<u>\$ 60,146</u>	<u>\$ -</u>	<u>\$ 1,398,153</u>

**WEAKLEY COUNTY NURSING HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE 3 – OTHER INFORMATION**

**A. 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 cards.

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

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

**B. 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, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

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

June 30, 2013

**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, 2013, was 11.20% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Weakley County Nursing Home is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ending June 30, 2013, the Weakley County Nursing Home made contributions to the TCRS in the amount of \$313,183. Weakley County Nursing Home's payroll for employees covered by the TCRS for the year ended June 30, 2013, was \$2,796,278. The total payroll for the year was \$3,511,421. The Weakley County Nursing Home's operations are reported in the audit report of Weakley County, Tennessee. For details and required disclosures concerning Weakley County's participation in TCRS, refer to the County's separate audit report.

**C. Prior Period Adjustment**

During the current year, management discovered uncollectible balances in accounts receivable from Medicare and co-insurance that had not been written off in prior years. Accounts receivable and beginning net position were both decreased by \$946,812 to correct overstated receivables in prior years.

## **SUPPLEMENTARY INFORMATION SECTION**

**WEAKLEY COUNTY NURSING HOME**  
**SCHEDULE OF OPERATING EXPENSES**  
For the Year Ended June 30, 2013

General and administrative	
Administrator's salary	\$ 90,411
Office salaries	183,066
Administrator's longevity	550
Office staff longevity	2,601
Office supplies	24,755
Board member expense	5,113
Licenses and dues	313,522
Professional services	95,377
Professional training and education	9,766
Telephone	19,376
Insurance	161,772
Advertising	31,190
Employee recruitment	1,738
Employee physicals	4,540
Employees expense	5,595
Employee benefit expense	21,082
Resident benefit expense	1,922
Miscellaneous	<u>312</u>
Total general and administrative	<u>\$ 972,688</u>
Employee benefits	
Payroll taxes - FICA and unemployment	\$ 274,361
Group insurance	706,227
Life insurance	1,125
Retirement	<u>300,948</u>
Total employee benefits	<u>\$ 1,282,661</u>
Dietary	
Salaries	\$ 369,306
Food	317,680
Supplies	32,103
Purchased services	9,240
Dietary supplements	47,566
Dietary longevity	<u>6,402</u>
Total dietary	<u>\$ 782,297</u>
Housekeeping	
Salaries	\$ 172,766
Supplies	35,172
Housekeeping longevity	<u>1,900</u>
Total housekeeping	<u>\$ 209,838</u>

*See independent auditor's report*

**WEAKLEY COUNTY NURSING HOME**  
**SCHEDULE OF OPERATING EXPENSES**  
For the Year Ended June 30, 2013

Laundry and linen	
Salaries	\$ 159,308
Supplies	25,294
Linen	13,968
Laundry longevity	<u>1,455</u>
Total laundry and linen	<u>\$ 200,025</u>
Plant operation and maintenance	
Salaries	\$ 65,865
Gas	52,393
Electricity	96,077
Water and sewage	124,786
TV cable/satellite	9,598
Maintenance and repairs	17,364
Supplies	8,616
Purchased services	39,357
Vehicle maintenance	5,244
Facility improvements	8,902
Maintenance longevity	<u>1,033</u>
Total plant operation and maintenance	<u>\$ 429,235</u>
Medical and nursing	
Salaries - RN	\$ 202,427
Salaries - LPN	1,100,000
Salaries - aides, orderlies	1,184,092
Supplies	226,448
Purchased services	25,865
Nursing longevity	<u>16,296</u>
Total medical and nursing	<u>\$ 2,755,128</u>
Recreational activities	
Salaries	\$ 49,268
Supplies	1,585
Special events	6,133
Activity longevity	<u>451</u>
Total recreational activities	<u>\$ 57,437</u>
Social services	
Salaries	\$ 86,414
Supplies	362
Social service longevity	<u>301</u>
Total social services	<u>\$ 87,077</u>

*See independent auditor's report*

**WEAKLEY COUNTY NURSING HOME**  
**SCHEDULE OF OPERATING EXPENSES**  
For the Year Ended June 30, 2013

Medicare/Medicaid II expenses	
Contract - physical therapy	\$ 78,510
Contract - speech therapy	24,771
Contract - occupational therapy	37,376
Billable medical supplies	6,198
Pharmacy	279,735
Lab - Medicare	18,114
X-Ray - Medicare	9,875
Other insurance - physical therapy	832
Other insurance - speech therapy	105
Other insurance - occupational therapy	393
MCA - contract - physical therapy	192,775
MCA - contract - speech therapy	71,696
MCA - contract - occupational therapy	<u>157,431</u>
Total Medicare/Medicaid II expenses	<u>\$ 877,811</u>

*See independent auditor's report*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**Members of:**

American Institute of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
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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 Commissioners  
Weakley County Nursing Home

We have audited, in accordance with the 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 the Weakley County Nursing Home, a component unit of Weakley 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 September 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Weakley County 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 Weakley County 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.

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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Alexander Thompson Arnold PLLC*

McKenzie, Tennessee  
September 20, 2013