

**OBION COUNTY NURSING HOME**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**June 30, 2014**

**OBION COUNTY NURSING HOME  
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## **INTRODUCTORY SECTION**

**OBION COUNTY NURSING HOME**  
**ROSTER OF BOARD MEMBERS AND MANAGEMENT OFFICIALS**  
June 30, 2014

**Board Members**

Tracey Batey  
Patsy Barker  
Earnest Daniels  
Timothy Gantt  
Janis Lacewell  
Bobby Williams  
Sonny Yarbrough

**Management Officials**

Tom Reddick, administrator  
Kristi Davis, recorder

## **FINANCIAL SECTION**

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## **Independent Auditor's Report**

Board of Directors  
Obion County Nursing Home  
Union City, Tennessee

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

We have audited the accompanying financial statements of Obion County Nursing Home, an enterprise fund of Obion County, Tennessee, as of and for the year ended June 30, 2014, 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 Obion County Nursing Home as of June 30, 2014, 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 1, the financial statements present only the Obion County Nursing Home enterprise fund and do not purport to, and do not, present fairly the financial position of Obion County, Tennessee, and the changes in its financial position or, where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Obion 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 October 14, 2014, on our consideration of the Obion County Nursing Home's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Obion County Nursing Home's internal control over financial reporting and compliance.

*Alexander Thompson Arnold PLLC*

Union City, Tennessee  
October 14, 2014

**OBION COUNTY NURSING HOME**  
**STATEMENT OF NET POSITION**  
June 30, 2014

**ASSETS**

Current Assets		
Cash on hand and in bank	\$	393,907
Accounts receivable		724,394
Inventory		9,049
Total current assets		1,127,350
Non-Current Assets		
Capital assets		
Land improvements	16,744	
Buildings and improvements	1,057,355	
Furniture and equipment	138,834	
Departmental equipment	227,244	
Other fixed assets	120,506	
Less accumulated depreciation	(1,288,230)	
Total capital assets (net of accumulated depreciation)		272,453
<b>Total assets</b>		<b>1,399,803</b>

**LIABILITIES**

Current Liabilities		
Accounts payable		15,375
Payroll withholdings		103
Patients' trust fund		18,239
Salaries payable		50,191
Accrued annual and sick leave		66,719
<b>Total liabilities</b>		<b>150,627</b>

**NET POSITION**

Investment in capital assets		272,453
Unrestricted		976,723
<b>Total net position</b>		<b>\$ 1,249,176</b>

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

**OBION COUNTY NURSING HOME  
STATEMENT OF REVENUES, EXPENSES AND CHANGE  
IN NET POSITION**

For the Year Ended June 30, 2014

	<b>Amount</b>	<b>Percent</b>
Operating Revenues		
Medicaid patients	\$ 1,927,532	48.77
Medicare patients	1,297,328	32.82
Private patients	725,803	18.36
Hospice	101	-
Other revenue	1,784	0.05
Total operating revenues	3,952,548	100.00
 Operating Expenses		
Operating expenses - schedule (pg. 11)	3,647,401	92.28
Depreciation	50,722	1.28
Total operating expenses	3,698,123	93.56
 <b>Operating income</b>	<b>254,425</b>	<b>6.44</b>
 Non-Operating Revenue		
Interest income	1,305	0.03
 <b>Change in net position</b>	<b>255,730</b>	<b>6.47</b>
 Net position - July 1, 2013	993,446	
 Net position - June 30, 2014	<b>\$ 1,249,176</b>	

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

**OBION COUNTY NURSING HOME**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2014

**Cash Flows from Operating Activities**

Cash received from patients	3,779,319
Cash paid to suppliers	(1,828,978)
Cash paid to employees	(1,849,795)
Other operating revenue	<u>1,784</u>
Net cash provided by operating activities	102,330

**Cash Flows from Capital and Related Financing Activities**

Purchase of capital assets	(28,805)
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**Cash Flows from Investing Activities**

Interest on investments	<u>1,305</u>
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**Net increase in cash** **74,830**

Cash - July 1, 2013 319,077

Cash - June 30, 2014 \$ 393,907

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:

Operating income		\$ 254,425
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	50,722	
Increase in accounts receivable	(171,410)	
Increase in inventory	(1,104)	
Decrease in accounts payable	(40,616)	
Decrease in payroll withholdings	(145)	
Decrease in patients' trust fund	(35)	
Increase in salaries payable	13,384	
Decrease in accrued annual and sick leave	<u>(2,891)</u>	
Total adjustments		<u>(152,095)</u>
Net cash provided by operating activities		<u>\$ 102,330</u>

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

**OBION COUNTY NURSING HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Obion County Nursing Home is an enterprise fund of Obion County, Tennessee, and is included in their audit report.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Obion County Nursing Home accounts for its financial position and results of operations in accordance with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Generally accepted accounting principles for proprietary fund types are those applicable to similar businesses in the private sector and are reported using the economic resources measurement focus, which reports all inflows, outflows, and balances affecting or reflecting an entity's net position. Proprietary fund types are accounted for on the accrual basis, whereby income is recognized as it is earned and expenses are recognized as they are incurred, whether or not cash is received or paid out at that time.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Nursing Home are charges for patient services. Operating expenses are those expenses that are essential to the primary operations of the fund and include depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Nursing Home's Board of Directors approves a non-appropriatory budget annually as a management tool. Proprietary funds are not required to adopt annual budgets.

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

**Cash and Investments**

The Nursing Home's cash on hand and in bank is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception.

State statutes authorize the Nursing Home to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements, as approved by the state director of local finance, and the state's local government investment pool.

**Accounts Receivable**

An allowance for doubtful accounts has not been recorded in these financial statements. The direct write-off of bad accounts is made at intervals during each fiscal year. This method, although not recognized by generally accepted accounting principles, does not materially distort the presentation of the financial statements.

**Inventory**

At June 30, 2014, inventory was counted and valued at current replacement cost by management. Although this method is not recognized by generally accepted accounting principles, it does not materially distort the presentation of the financial statements.

**OBION COUNTY NURSING HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**Capital Assets**

Capital assets are stated at cost, with the exception of the original building, which is recorded at estimated cost. The original building had an estimated cost of \$93,392, which has been fully depreciated. The Nursing Home has defined capital assets as assets with an initial, individual cost of more than \$3,000. Depreciation of fixed assets is computed using the straight-line method over the estimated useful lives of the assets.

**Compensated Absences**

Accumulated unpaid annual leave and sick leave are accrued at the end of each fiscal year. As of June 30, 2014, annual leave amounted to \$19,292 and sick leave was \$47,427, for a total accrual of \$66,719. All accrued leave has been reported as a current liability in the statement of net position.

**Impact of recently issued accounting pronouncements**

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. In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. As of June 30, 2014, the Nursing Home had no deferred outflows or deferred inflows of resources.

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*, and Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. Management is currently evaluating the impact that the adoption of Statement 68 will have on the Nursing Home's financial statements.

**Net position flow assumption**

Sometimes the Nursing Home will fund outlays for a particular purpose from both restricted 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.

**OBION COUNTY NURSING HOME**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 2 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of June 30, 2014, the Nursing Home had all deposits in interest-bearing checking accounts. There were no investments held by the Nursing Home at year end.

**Custodial Credit Risk**

The Nursing Home's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statutes required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance 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. As of June 30, 2014, all bank deposits were fully collateralized or insured.

**B. Capital Assets**

Capital assets activity during the year was as follows:

Description	Balance 7/01/13	Additions	Disposals	Balance 6/30/14
Capital assets, being depreciated				
Land improvements	\$ 12,745	\$ 3,999	\$ -	\$ 16,744
Buildings and improvements	1,051,959	5,396	-	1,057,355
Furniture and equipment	129,747	9,087	-	138,834
Departmental equipment	216,921	10,323	-	227,244
Other fixed assets	120,506	-	-	120,506
Total capital assets being depreciated	<u>1,531,878</u>	<u>28,805</u>	<u>-</u>	<u>1,560,683</u>
Less accumulated depreciation				
Land improvements	12,745	183	-	12,928
Buildings and improvements	879,680	28,628	-	908,308
Furniture and equipment	92,386	8,601	-	100,987
Departmental equipment	140,039	12,035	-	152,074
Other fixed assets	112,658	1,275	-	113,933
Total accumulated depreciation	<u>1,237,508</u>	<u>50,722</u>	<u>-</u>	<u>1,288,230</u>
Total capital assets being depreciated, net	<u>\$ 294,370</u>	<u>\$ (21,917)</u>	<u>\$ -</u>	<u>\$ 272,453</u>

**NOTE 3 – OTHER INFORMATION**

**A. Pension Plan**

As reported in Note 1, the Obion County Nursing Home is an enterprise fund of Obion County, Tennessee; therefore, the Nursing Home's pension information has been reported in the County's audit report. For the year ended June 30, 2014, the total covered payroll for the Nursing Home was

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

June 30, 2014

\$1,254,760 and the pension contribution was \$81,105. An audit report for Obion County, Tennessee, can be requested at 1 Bill Burnett Circle, Union City, TN 38261 for additional pension disclosures.

**B. Risk Management**

It is the policy of the Obion County Nursing Home to purchase commercial insurance for the risk of losses to which it is exposed. These risks include general liability, property and automobile coverage and fidelity position bonds. Employee health and accident insurance is purchased through the County's commercial insurance policy. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Nursing Home carries its workers' compensation coverage through the Tennessee Health Care Association (THCA), a self-insured trust fund. The THCA was established to be self-sustaining through member premiums. All members of the THCA must be approved for coverage and are jointly and severally liable for all claims of the association.

## **SUPPLEMENTARY INFORMATION SECTION**

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

For the Year Ended June 30, 2014

		Percent of Total
General and administrative expenses		
Salary - administrator	\$ 107,342	2.90
Salaries - administrative	74,993	2.04
Freight and postage	1,469	0.04
Office supplies and expense	14,559	0.39
Minor equipment	45,864	1.24
Conventions and seminars	2,064	0.06
Travel	5,227	0.14
Advisory board fees and expense	7,300	0.20
Pension plan costs	81,105	2.19
Employee insurance	197,859	5.35
Employee payroll taxes	137,663	3.72
Workers compensation insurance	36,399	0.98
Unemployment expense	2,309	0.06
Employee activities and awards	5,382	0.15
Extra labor	9,780	0.26
Liability insurance	5,580	0.15
Court reporter	1,200	0.03
Contract services - payroll	611	0.02
Taxes and licenses	126,210	3.41
Dues and subscriptions	4,561	0.12
Legal and audit fees	20,695	0.56
Advertising and promotion	6,600	0.18
Telephone	5,014	0.14
Contract services - buying	104	-
Uniforms	<u>997</u>	<u>0.03</u>
Total general and administrative expenses	<u>900,887</u>	<u>24.36</u>
Medical and Nursing		
Salaries	1,154,294	31.21
Minor equipment	16,261	0.44
Nurses notes and forms	378	0.01
Training and seminars	275	0.01
Medical supplies	71,808	1.94
Medical director	9,600	0.26
Pharmacy consultant	<u>1,344</u>	<u>0.04</u>
Total medical and nursing expenses	<u>1,253,960</u>	<u>33.91</u>
Patient Activities		
Salaries	40,544	1.10
Special events	2,765	0.07
Minor equipment	292	0.01
Supplies	<u>13,916</u>	<u>0.38</u>
Total patient activities	<u>57,517</u>	<u>1.56</u>
Social Services		
Salaries	<u>62,811</u>	<u>1.70</u>
Dietary		
Salaries	185,664	5.02
Raw food	173,884	4.70
Minor equipment	5,820	0.16
Supplies	13,346	0.36
Consultant	<u>3,080</u>	<u>0.08</u>
Total dietary expenses	<u>381,794</u>	<u>10.32</u>

*See independent auditor's report*

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

For the Year Ended June 30, 2014

		Percent of Total
Housekeeping		
Salaries	112,029	3.03
Minor equipment	2,070	0.06
Supplies	<u>9,649</u>	<u>0.26</u>
Total housekeeping expenses	<u>123,748</u>	<u>3.35</u>
Laundry		
Salaries	85,010	2.30
Minor equipment	357	0.01
Supplies	3,110	0.08
Linen and bedding	<u>17,081</u>	<u>0.46</u>
Total laundry expenses	<u>105,558</u>	<u>2.85</u>
Maintenance		
Salaries	37,456	1.02
Repair and maintenance	87,596	2.37
Minor equipment	3,488	0.09
Supplies	1,877	0.05
Contract services - BFI	6,712	0.18
Contract services - fire	1,787	0.05
Pest control	892	0.02
Fuel and gas	43,983	1.19
Electricity	39,166	1.06
Waste disposal service	7,844	0.21
Water and sewage	<u>9,399</u>	<u>0.25</u>
Total maintenance expenses	<u>240,200</u>	<u>6.49</u>
Other operating expenses		
Skilled - pharmacy	72,583	1.96
Skilled - xray	2,702	0.07
PT - private	3,533	0.10
PT - Part A	76,194	2.06
PT - Part B	30,512	0.83
OT - private	1,879	0.05
OT - Part A	76,805	2.08
OT - Part B	47,664	1.29
ST - private	34	-
ST - Part A	70,133	1.90
ST - Part B	19,361	0.52
Medicaid/Medicare fees	<u>119,526</u>	<u>3.23</u>
Total other operating expenses	<u>520,926</u>	<u>14.09</u>
Depreciation	<u>50,722</u>	<u>1.37</u>
Total operating expenses	<u>\$ 3,698,123</u>	<u>100.00</u>

*See independent auditor's report*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

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AICPA Governmental Audit Quality Center  
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**Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Obion County Nursing Home

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 Obion County Nursing Home, an enterprise fund of Obion County, Tennessee, as of and for the year ended June 30, 2014, 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 14, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Obion 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 Obion 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 1997-001, that we consider to be significant deficiencies.

Board of Directors  
Obion County Nursing Home

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Obion 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*.

We noted certain matters that we reported to the management of Obion County Nursing Home in a separate letter dated October 14, 2014.

### **Obion County Nursing Home's Response to Finding**

The Obion County Nursing Home's response to the finding identified in our audit is described in the accompanying schedule of findings. The Nursing Home's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 engagement to perform an audit 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*

Union City, Tennessee  
October 14, 2014

**OBION COUNTY NURSING HOME**  
**SCHEDULE OF FINDINGS**  
For the year ended June 30, 2014

**1997-001 Segregation of Duties**

Condition: Due to the size of the staff, the Obion County Nursing Home cannot fully segregate the record-keeping, custodial, and authorization functions of its internal accounting controls for the year ended June 30, 2014.

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

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

Recommendation: The Administrator should implement procedures to segregate the above functions as much as possible with the limited staff.

Management's response: *The Administrator has segregated the record-keeping at this facility as much as is practical due to the limited staff available. We have hired an additional person to further segregate duties. We currently have three people over the primary office duties – administrator, office manager and human resource administrator.*

**OBION COUNTY NURSING HOME  
SCHEDULE OF PRIOR YEAR FINDINGS**  
For the year ended June 30, 2014

**Financial Statement Findings**

<b>Finding No.</b>	<b>Title</b>	<b>Status</b>
1997-001	Segregation of Duties	repeated

**Single Audit Findings and Questioned Costs**

The Obion County Nursing Home was not subject to a single audit in the prior year.