

**BLEDSON COUNTY NURSING HOME  
(A COMPONENT UNIT OF  
BLEDSON COUNTY, TENNESSEE)**

**Pikeville, Tennessee**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Years Ended June 30, 2015 and 2014**

**JOHNSON, HICKEY & MURCHISON, P.C.**  
Certified Public Accountants  
Chattanooga, Tennessee

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## INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of  
Bledsoe County Nursing Home  
(a component unit of Bledsoe County, Tennessee)**

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

We have audited the accompanying financial statements of Bledsoe County Nursing Home (a component unit of Bledsoe County, Tennessee), which comprise the balance sheets as of June 30, 2015 and 2014, 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 audit 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 opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bledsoe County Nursing Home (a component unit of Bledsoe County, Tennessee) as of June 30, 2015

and 2014, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 1 to the financial statements, in 2015, the Nursing Home adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 the management's discussion and analysis on pages 4 through 7 and schedules relating the public employee pension plan of TCRS on pages 27 through 29 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 audits 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 audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedules listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly presented in all material respects in relation to the 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 26 2015, on our consideration of Bledsoe County Nursing Home's (a component unit of Bledsoe County, Tennessee) 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 Bledsoe County Nursing Home's (a component unit of Bledsoe County, Tennessee) internal control over financial reporting and compliance.

*Johnson, Wickey & Meucham, P.C.*

November 5, 2015

**Bledsoe County Nursing Home  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

This discussion and analysis is intended to serve as an introduction to the June 30, 2015 financial statements of the Bledsoe County Nursing Home ("BCNH"), a component unit of Bledsoe County, Tennessee. Please read it in conjunction with BCNH's audited financial statements.

***OVERVIEW OF FINANCIAL STATEMENTS***

The statements of revenues, expenses, and changes in net position present the results of BCNH's operations. The statement reports all revenues and expenses and reconciles the beginning and end of year net position balances.

The balance sheets include all of BCNH's assets and liabilities as of June 30, 2015. The statement also presents the balance of assets in excess of liabilities, or net position.

The statements of cash flows supplement those statements providing relevant information about cash receipts and payments by the BCNH.

The notes to the financial statements are an integral part of the financial statements and contain information necessary to obtain a complete view of BCNH's financial position.

***FINANCIAL HIGHLIGHTS***

BCNH assets exceeded its liabilities at June 30, 2015 and 2014.

***FINANCIAL ANALYSIS***

***Financial Position -***

Total assets, total liabilities and total net position at June 30, 2015, 2014 and 2013 are as follows:

	<u>2015</u>	<u>2014</u>	<u>Percent Change</u>	<u>2014</u>	<u>2013</u>	<u>Percent Change</u>
Current assets	\$ 825,367	\$ 573,319	44%	\$ 573,319	\$ 660,702	(13)%
Property & equipment, net	277,228	342,150	(19)%	342,150	409,564	(16)%
Assets limited as to use:						
Resident trust fund	8,295	8,590	(3)%	8,590	14,598	(41)%
Deferred outflows						
of resources	<u>68,786</u>	<u>58,831</u>	17%	<u>58,831</u>	-	100%
Total assets	<u><u>1,179,676</u></u>	<u><u>982,890</u></u>	20%	<u><u>982,890</u></u>	<u><u>1,084,864</u></u>	(9)%

Current liabilities	207,033	349,777	(41)%	349,777	229,715	52%
Other liabilities:						
Resident trust fund	8,295	8,590	(3)%	8,590	14,598	(41)%
Deferred inflows						
from pensions	<u>114,625</u>	<u>-</u>	100%	<u>-</u>	<u>-</u>	0%
Total liabilities	<u>329,953</u>	<u>358,367</u>	(8)%	<u>358,367</u>	<u>244,313</u>	47%
Net position						
Investment in capital						
assets	277,228	342,150	(19)%	342,150	409,564	(16)%
Unrestricted	<u>572,495</u>	<u>282,373</u>	103%	<u>282,373</u>	<u>430,987</u>	(34)%
Total net position	<u>849,723</u>	<u>624,523</u>	36%	<u>624,523</u>	<u>840,551</u>	(26)%
Total liabilities and net position	<u>\$ 1,179,676</u>	<u>\$ 982,890</u>	20%	<u>\$ 982,890</u>	<u>\$ 1,084,864</u>	(9)%

### ***Operations -***

Components of BCNH's operating revenues, operating expenses and nonoperating income for the years ended June 30, 2015, 2014, and 2013 are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Revenue:			
Net patient service revenue	\$ 2,701,501	\$ 2,457,334	\$ 2,728,461
Rental income	12,000	12,000	12,000
Other revenue	<u>2,464</u>	<u>38,961</u>	<u>12,516</u>
Total operating revenues	<u>2,715,965</u>	<u>2,508,295</u>	<u>2,752,977</u>
Operating Expenses:			
Salaries and benefits	1,411,890	1,442,603	1,642,569
Medical supplies and drugs	34,577	39,992	46,154
Insurance	110,159	146,138	119,098
Other supplies	88,407	86,523	84,873
Depreciation	64,921	67,414	66,470
Other expenses	<u>927,063</u>	<u>877,202</u>	<u>899,000</u>
Total operating expenses	<u>2,637,017</u>	<u>2,659,872</u>	<u>2,858,164</u>
Operating income (loss)	<u>78,948</u>	<u>(151,577)</u>	<u>(105,187)</u>
Nonoperating Income:			
Contributions	140,000	100,000	45,000

Interest income	<u>6,252</u>	<u>835</u>	<u>6,191</u>
Total nonoperating income	<u>146,252</u>	<u>100,835</u>	<u>51,191</u>
Increase (decrease) in unrestricted net position	225,200	(50,742)	(53,996)
Net position, beginning of year, as reported	624,523	840,551	894,547
Prior period adjustment	<u>-</u>	<u>(165,286)</u>	<u>-</u>
Net position, beginning of year, as restated	624,523	675,265	894,547
Net position, end of year	<u>\$ 849,723</u>	<u>\$ 624,523</u>	<u>\$ 840,551</u>

In fiscal year ended 2015, we experienced a \$244,167 increase in patient service revenue. In fiscal year ended 2014, we experienced a \$271,127 decrease in patient service revenue.

***Nonoperating Income -***

Nonoperating income consists of interest earned on BCNH's cash accounts and a \$140,000 and \$100,000 operating contribution from the County, which the Nursing Home received in 2015 and 2014. All proceeds for each year were used to supplement operations.

***Nursing Home Cash Flow -***

Changes in the BCNH's cash flows are consistent with the results of operating and nonoperating income, as discussed earlier.

***Capital Asset and Debt Administration -***

As of June 30, 2015 and 2014, BCNH had \$277,228 and \$342,150, respectively, invested in capital assets, net of accumulated depreciation as detailed in Note 5 to the financial statements.

BCNH had no debt at June 30, 2015 and 2014.

***Contacting BCNH's Financial Management -***

This financial report is designed to provide our patients, suppliers, creditors, and other stakeholders with a general overview of BCNH's finances and to show BCNH's accountability for the money it receives. It presents information for the Nursing Home only, and does not present the financial position or results of operations of Bledsoe County, Tennessee. Any questions about this report or requests for additional financial information should be directed to Bledsoe County Nursing Home, 71 Wheelertown Road, P.O. Box 250, Pikeville, TN 37367.

***Roster of Management Officials and Those Charged with Governance -***

The Bledsoe County Nursing Home Board of Directors consists of the following individuals:

- Steve Standefer, Chairman
- Tanya Roberson, Vice-Chairman

***Roster of Management Officials and Those Charged with Governance (continued) –***

The Bledsoe County Nursing Home Board of Directors consists of the following individuals (continued):

- Don Snow
- Brenda Burgess
- Robert Reece
- George Young
- Gregg Ridley

The Senior Management of Bledsoe County Nursing Home consists of the following individual:

- Stephanie Boynton, Administrator

**BLEDSON COUNTY NURSING HOME**  
**(A COMPONENT UNIT OF BLEDSON COUNTY, TENNESSEE)**  
**BALANCE SHEETS**  
**JUNE 30, 2015 AND 2014**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

	<b>2015</b>	<b>2014</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 582,047	\$ 436,491
Patient accounts receivable, net of allowance for doubtful accounts of \$92,000 in 2015 and 2014	224,462	118,779
Prepaid expenses	17,386	18,049
Net pension asset	1,472	-
Total current assets	825,367	573,319
<b>ASSETS LIMITED AS TO USE:</b>		
Resident trust fund	8,295	8,590
<b>CAPITAL ASSETS, net</b>	277,228	342,150
Total assets	1,110,890	924,059
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflows from pensions	68,786	58,831
Total assets and deferred outflows of resources	\$ 1,179,676	\$ 982,890

(The accompanying notes are an integral part of these statements.)

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES**  
**AND NET POSITION**

	<b>2015</b>	<b>2014</b>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 89,085	\$ 70,485
Accrued salaries and wages	59,748	55,806
Accrued compensated absences	46,950	46,950
Other accrued liabilities	11,250	11,250
Net pension liability	-	165,286
Total current liabilities	207,033	349,777
<b>OTHER LIABILITIES:</b>		
Resident trust fund liability	8,295	8,590
Total liabilities	215,328	358,367
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows from pensions	114,625	-
<b>NET POSITION:</b>		
Investment in capital assets	277,228	342,150
Unrestricted	572,495	282,373
Total net position	849,723	624,523
Total liabilities, deferred inflows of resources and net position	\$ 1,179,676	\$ 982,890

(The accompanying notes are an integral part of these statements.)

**BLEDSON COUNTY NURSING HOME**  
**(A COMPONENT UNIT OF BLEDSON COUNTY, TENNESSEE)**  
**STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>REVENUES:</b>		
Net patient service revenue	\$ 2,701,501	\$ 2,457,334
Rental income	12,000	12,000
Other revenue	2,464	38,961
	<u>2,715,965</u>	<u>2,508,295</u>
<b>EXPENSES:</b>		
Salaries and benefits	1,411,890	1,442,603
Medical supplies and drugs	34,577	39,992
Insurance	110,159	146,138
Other supplies	88,407	86,523
Depreciation	64,921	67,414
Other expenses	927,063	877,202
	<u>2,637,017</u>	<u>2,659,872</u>
<b>OPERATING INCOME (LOSS)</b>	<u>78,948</u>	<u>(151,577)</u>
<b>NONOPERATING REVENUE:</b>		
Contributions	140,000	100,000
Interest income	6,252	835
	<u>146,252</u>	<u>100,835</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>225,200</u>	<u>(50,742)</u>
<b>NET POSITION, BEGINNING OF YEAR, AS REPORTED</b>	624,523	840,551
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>(165,286)</u>
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>624,523</u>	<u>675,265</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 849,723</u>	<u>\$ 624,523</u>

(The accompanying notes are an integral part of these statements.)

**BLEDSON COUNTY NURSING HOME**  
**(A COMPONENT UNIT OF BLEDSON COUNTY, TENNESSEE)**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from patients and third-party payors	\$ 2,595,819	\$ 2,513,036
Cash payments to suppliers for goods and services	(1,194,773)	(1,251,621)
Cash payments to employees for services	(1,416,206)	(1,444,168)
Other revenue	2,464	38,961
Proceeds from rental facility	12,000	12,000
Net cash used by operating activities	(696)	(131,792)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Noncapital contributions	140,000	100,000
Net cash provided by noncapital financing activities	140,000	100,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	6,252	835
Net cash provided by investing activities	6,252	835
<b>NET INCREASE (DECREASE) IN CASH:</b>	145,556	(30,957)
Cash, beginning	436,491	467,448
Cash, ending	\$ 582,047	\$ 436,491

(The accompanying notes are an integral part of these statements.)

	<u>2015</u>	<u>2014</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</b>		
<b>CASH USED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 78,948	\$ (151,577)
Adjustments to reconcile operating income (loss) to net cash used by operating activities -		
Depreciation	64,921	67,414
Provision for bad debts	-	-
Net (increase) decrease in operating assets -		
Patient accounts receivable	(105,682)	55,702
Prepaid expenses	663	724
Net pension asset	(1,472)	-
Deferred outflows from pensions	(9,955)	(58,831)
Net increase (decrease) in operating liabilities -		
Accounts payable	18,600	(42,947)
Accrued liabilities	3,942	(2,277)
Net pension liability	(165,286)	-
Deferred inflows from pensions	<u>114,625</u>	<u>-</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (696)</b>	<b>\$ (131,792)</b>

(The accompanying notes are an integral part of these statements.)

**BLEDSON COUNTY NURSING HOME**  
**(A COMPONENT UNIT OF BLEDSON COUNTY, TENNESSEE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Reporting entity –**

Bledsoe County Nursing Home (the Nursing Home) was organized in 1967, as a public corporation to operate a 50 bed intermediate care facility located in Pikeville, Tennessee. The Nursing Home, a component unit of Bledsoe County, Tennessee, is governed by a six (6) member Board appointed by the Bledsoe County Commission who also have financial responsibility of the Nursing Home such as approval of any bond indentures.

**Use of estimates –**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Enterprise fund accounting –**

The Nursing Home utilizes the enterprise fund method of accounting whereby revenue and expenses are recognized on the accrual basis and the economic resource measurement focus. Substantially all revenues and expenses are subject to accrual.

**Cash and cash equivalents –**

For the purpose of the statement of cash flows, the Nursing Home considers currency on hand and demand deposits with financial institutions to be cash. The Nursing Home considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash in resident trust funds is not considered cash or a cash equivalent since balances therein are held by the Nursing Home in an agency capacity for various patients. State statutes authorize the Nursing Home to invest in obligations of the U.S. Treasury, bank certificates of deposit, state approved repurchase agreements and pooled investment funds, and state or local bonds, rated A or higher by a nationally recognized rating service. The Nursing Home had \$158,000 in cash equivalents at June 30, 2015 and 2014.

**Patient accounts receivable –**

For patient accounts receivable, the allowance for doubtful accounts is based on management's assessment of the collectability of specific patient's accounts and the aging of the account receivable. If there is a deterioration of a patient's credit worthiness or actual defaults are higher than historical experience, management's estimates of recoverability of amounts due to the Nursing Home could be adversely affected.

**Assets limited as to use –**

Assets limited as to use consist of residents' personal assets held by the Nursing Home for the personal use of those residents (see Note 4).

**BLEDSON COUNTY NURSING HOME**  
**(A COMPONENT UNIT OF BLEDSON COUNTY, TENNESSEE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued):

**Capital assets –**

Individual capital assets purchased for greater than \$5,000 are reported at historical cost. Donated capital items are reported at their estimated fair value at the date of donation. Depreciation is computed over the estimated useful lives using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. Expenditures for maintenance, repairs, renewals and betterments that do not extend the useful lives of the assets are expensed as incurred. A summary of estimated useful lives of capital assets follows:

<u>Description</u>	<u>Estimated Useful Lives</u>
Building, land improvements, fixed equipment	8-40 years
Equipment	5-10 years

**Operating revenues and expenses –**

Operating revenues include net patient service revenue, rental income, and any other revenues generated by the Nursing Home’s day to day operations. The Medicaid program, a major third-party payor, reimburses the Nursing Home for services rendered to Medicaid beneficiaries based on a prospective per diem rate established by the Medicaid program. The per diem rate established by Medicaid is based primarily on prior years’ cost, subject to a maximum per diem rate set by the State of Tennessee. A provision for contractual adjustment is made to reduce recorded charges to estimated payments.

Revenue from the Medicaid program accounted for approximately 94% and 95% of the Nursing Home’s net patient service revenue for the years ended June 30, 2015 and 2014, respectively.

Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Nonoperating income consists of interest income and contributions from outside parties.

**Net position –**

Net position of the Nursing Home is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* are noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Nursing Home. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*. There were no restricted assets at June 30, 2015 or 2014.

**BLEDSON COUNTY NURSING HOME**  
**(A COMPONENT UNIT OF BLEDSON COUNTY, TENNESSEE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued):

**Deferred Outflows/Inflows of Resources –**

During the year, the Nursing Home adopted the provisions of GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Under this Statement, GASB has defined deferred outflows of resources and deferred inflows of resources as follows:

Deferred outflows of resources - a consumption of net assets by the government that is applicable to a future reporting period.

Deferred inflows of resources - an acquisition of net assets by the government that is applicable to a future reporting period.

As of June 30, 2015, the Nursing Home had deferred outflows of \$68,786 and deferred inflows of \$114,625.

**Pensions –**

During the year, the Nursing Home adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions*. Under this statement, GASB has established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Nursing Home's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and addition to/deductions from the Nursing Home's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**Income taxes –**

The Nursing Home, as a component unit of Bledsoe County, Tennessee, is exempt from federal and state income taxes.

**Risk management –**

The Nursing Home is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; and employee health benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**BLEDSOE COUNTY NURSING HOME**  
**(A COMPONENT UNIT OF BLEDSOE COUNTY, TENNESSEE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**(2) MANAGEMENT CONTRACT:**

On October 1, 2001, Bledsoe County, Tennessee (Owner) and the Board of Directors (the Board) of Bledsoe County Nursing Home entered into an agreement with the Chattanooga Hamilton County Hospital Authority d/b/a Erlanger Health Systems, a Tennessee governmental hospital authority (the Hospital), to manage the operations of the Nursing Home for an initial five year period, renewable for four additional five-year terms. The Hospital also provides insurance coverage, employee health insurance, and a portion of the director of nursing's, administrator's and accountant's compensation, which is billed to the Nursing Home on a monthly basis. The term of this agreement shall terminate on October 1, 2026. The fee for these services shall be \$120,000 for years one through five; \$130,000 for years six through ten; \$140,000 for years eleven through fifteen; \$150,000 for years sixteen through twenty; and \$160,000 for years twenty-one through twenty-five. All management fees are payable in equal quarterly amounts due on the fifteenth day of the first month of each calendar quarter.

Through this agreement, Bledsoe County and the Board agree to be, and remain, solely liable for and obligated to satisfy and discharge all claims, losses, damages, liabilities, costs, and expenses (including reasonable attorneys' fees and expenses related to the defense of any claims) arising directly or indirectly in connection with, or relating to, the operation of the Nursing Home, except to the extent that such claims have been caused by the gross negligence or willful misconduct of the Hospital.

The management fee expense amounted to \$140,000 in 2015 and 2014.

**(3) DEPOSITS AND CERTIFICATES OF DEPOSIT:**

The carrying amounts of the Nursing Home's deposits with commercial banks are \$590,342 and \$445,081 and the bank balances are \$614,050 and \$459,056 at June 30, 2015 and 2014, respectively.

**Custodial credit risk –**

Custodial credit risk is the risk that in the event of a bank failure, the Nursing Home's deposits may not be returned to it. Of the bank balances for June 30, 2015, \$408,000 was covered by federal depository insurance and \$206,050 was covered by collateral held in the pledging bank's trust department in the Nursing Home's name.

Of the bank balances for June 30, 2014, \$279,548 was covered by federal depository insurance and \$179,508 was covered by collateral held in the pledging bank's trust department in the Nursing Home's name.

**Interest rate risk –**

For an investment, this is the risk that a change in interest rates will affect the fair market value of investments held. The Nursing Home has certificates of deposit at a fixed interest rate.

The Nursing Home currently has no formal policy addressing interest rate or custodial credit risks other than to comply with state statutes.

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**(3) DEPOSITS AND CERTIFICATES OF DEPOSIT (Continued):**

The Nursing Home maintains a single \$158,000 certificate of deposit with a local financial institution. The certificate of deposit is nonnegotiable and renews automatically at the end of each month. The stated interest rate at June 30, 2015 and 2014, was 0.20% and 0.15%, respectively.

**(4) ASSETS LIMITED AS TO USE:**

The Nursing Home administers certain funds which are residents' personal assets. These assets are reflected in the accompanying financial statements as both an asset and a liability to the Nursing Home.

The composition of assets whose use is limited is:

	2015	2014
Resident trust fund	\$ <u>8,295</u>	\$ <u>8,590</u>

**(5) CAPITAL ASSETS:**

Capital assets consist of the following:

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets being depreciated:				
Land improvements	\$ 48,696	\$ -	\$ -	\$ 48,696
Building	1,213,436	-	-	1,213,436
Fixed equipment	248,306	-	-	248,306
Major moveable equipment	42,698	-	-	42,698
Minor moveable equipment	74,092	-	-	74,092
Total capital assets being depreciated	1,627,228	-	-	1,627,228
Less accumulated depreciation for:				
Land improvements	41,816	377	-	42,193
Building	934,845	55,567	-	990,412
Fixed equipment	221,447	5,463	-	226,910
Major moveable equipment	42,698	-	-	42,698
Minor moveable equipment	44,272	3,514	-	47,786
Total accumulated depreciation	1,285,078	64,921	-	1,349,999
Capital assets, net	\$ 342,150	\$ (64,921)	\$ -	\$ 277,229

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**(5) CAPITAL ASSETS** (Continued):

	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets being depreciated:				
Land improvements	\$ 48,696	\$ -	\$ -	\$ 48,696
Building	1,213,436	-	-	1,213,436
Fixed equipment	248,306	-	-	248,306
Major moveable equipment	42,698	-	-	42,698
Minor moveable equipment	<u>74,092</u>	<u>-</u>	<u>-</u>	<u>74,092</u>
Total capital assets being depreciated	<u>1,627,228</u>	<u>-</u>	<u>-</u>	<u>1,627,228</u>
Less accumulated depreciation for:				
Land improvements	41,439	377	-	41,816
Building	876,785	58,060	-	934,845
Fixed equipment	215,984	5,463	-	221,447
Major moveable equipment	42,698	-	-	42,698
Minor moveable equipment	<u>40,758</u>	<u>3,514</u>	<u>-</u>	<u>44,272</u>
Total accumulated depreciation	<u>1,217,664</u>	<u>67,414</u>	<u>-</u>	<u>1,285,078</u>
Capital assets, net	<u>\$ 409,564</u>	<u>\$ (67,414)</u>	<u>\$ -</u>	<u>\$ 342,150</u>

**(6) PURCHASED SERVICES:**

The dietary arrangement between the Nursing Home and the Hospital is a mutual agreement that the Hospital will run the day-to-day operations of the cafeteria. The cafeteria space is located in the Nursing Home facility; rent of \$1,000 per month is charged to the Hospital. The Hospital purchases all dietary supplies, dietary salaries, and consulting fees.

The Nursing Home is charged a cost-per-meal for the Nursing Home patient meals served.

Total amounts paid to the Hospital for these expenses were as follows:

	<u>2015</u>	<u>2014</u>
Dietary purchased services	<u>\$ 326,228</u>	<u>\$ 357,331</u>

The total amount of unpaid expense due to the Hospital amounted to \$58,988 and \$67,257 at June 30, 2015 and 2014, respectively. This amount is included in accounts payable on the balance sheet.

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**(7) COMPENSATED ABSENCES:**

Nursing Home employees are paid for personal annual leave (PAL) time by a prescribed formula based on length of service. Upon termination, employees of the Nursing Home are compensated for any PAL time earned but not taken. Compensated absence liability of \$46,950 is reported at June 30, 2015 and 2014.

**(8) CONCENTRATIONS OF CREDIT RISK:**

The Nursing Home is located in Pikeville, Tennessee. The Nursing Home grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	2015	2014
Medicaid	90%	70%
Patients	10%	30%
	100%	100%

**(9) COMMITMENTS AND CONTINGENCIES:**

**Operating leases –**

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred.

There are no future minimum lease payments under operating leases as of June 30, 2015 and 2014, that have initial or remaining lease terms in excess of one year.

Total rental expense in 2015 and 2014 for all operating leases was \$1,816 and \$2,969, respectively.

**Claims-made insurance policies –**

The Nursing Home is insured for professional liability under a claims-made policy with an independent insurance carrier. A claims-made policy covers claims reported to the carrier during the policy term, regardless of the date of incident giving rise to the claim. Premiums are determined by a variety of factors related to the Nursing Home. The primary level of coverage is \$1,000,000 per occurrence and \$3,000,000 in the aggregate.

Coverage for workers' compensation insurance is provided on a claims-made basis. The primary level of coverage is \$100,000 per claim, \$100,000 per employee, and \$500,000 in the aggregate.

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**(9) COMMITMENTS AND CONTINGENCIES** (Continued):

**Charity care –**

The Nursing Home has an uncompensated services obligation under a Hill-Burton Grant. During the fiscal year ending June 30, 2003, the Hill-Burton obligation was converted from a dollar obligation to a time obligation expiring September 29, 2016. The fulfillment of this Hill-Burton requirement can be satisfied by providing free care in future periods.

**Litigation –**

The Nursing Home is subject to claims and suits which arise in the ordinary course of business. In the opinion of management, the ultimate resolution of such pending legal proceedings has been adequately provided for in its financial statements, and will not have a material effect on the Nursing Home's results of operations or financial position.

**(10) NET WORKING CAPITAL:**

Net working capital at June 30, 2015 and 2014, was \$618,334 and \$223,542, respectively.

**(11) CONTRIBUTION INCOME:**

In 2015 and 2014, the Nursing Home received contributions from the Bledsoe County Commission in the amounts of \$140,000 and \$100,000, respectively, to be used as needed during the course of operations. At June 30, 2015 and 2014, all proceeds had been used.

**(12) PENSION PLAN**

**Plan description –**

Employees of Bledsoe County Nursing Home are provided a defined benefit pension plan through the Public Employee Retirement Plan, a cost-sharing, multiple-employer pension plan administered by the TCRS. The employees of Bledsoe County Nursing Home comprise 12.23 percent of the plan based on census data. The TCRS was created by state statute under *Tennessee Code Annotated*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

**Benefits Provided –**

*Tennessee Code Annotated*, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age

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**(12) PENSION PLAN** (Continued):

**Benefits Provided** (continued) –

60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**Contributions** –

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. The Nursing Home makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Nursing Home's employer contributions were \$68,786. By law, employer contributions are required to be paid. The TCRS may intercept Bledsoe County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability. The pension plan financial report is included in the report of Bledsoe County. It can be obtained by contacting the County directly.

**Net Pension Liability (Asset)** –

The Nursing Home's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date. At June 30, 2015, the Nursing Home reported an asset of \$1,472. At June 30, 2014, the Nursing Home reported a liability of \$165,286. The Nursing Home's proportion of the net pension liability was based on the number of nursing home employees relative to the total number of employees for all of the employers in the plan at June 30, 2014. At the June 30, 2014 measurement date, the Nursing Home's proportion was 12.23 percent. The proportionate share remained the same at June 30, 2015.

**BLEDSOE COUNTY NURSING HOME**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**(12) PENSION PLAN** (Continued) :

**Net Pension Liability (Asset)** (continued) –

*Actuarial Assumptions –*

The total pension liability as of June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation.
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long –Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed market intl. equity	6.26%	17%
Emerging market intl. equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		100%

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**NOTES TO FINANCIAL STATEMENTS**  
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**(12) PENSION PLAN** (Continued) :

**Net Pension Liability (Asset)** (continued) –

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate* –

The discount rate used to measure the total pension liability was 7.5 percent. The projection on cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all employees will be made at the actuarially determined contribution rate pursuant to an actuarial evaluation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table represents the Nursing Home's proportionate share of the net pension liability (asset):

		<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Nursing Home	12.23%	1,841,006	1,842,478	(1,472)

The following table represents the changes in the Nursing Home's net pension liability (asset):

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability(Asset) (a-b)</u>
<b>Balance at 07/01/2013</b>	\$1,727,258	\$1,561,972	\$ 165,286
<b>Changes for the year:</b>			
Service cost	56,400	-	56,400
Interest	131,050	-	131,050
Differences between expected and actual experience	(1,037)	-	(1,037)
Contributions-employer	-	58,831	(58,831)
Contributions-employee	-	35,312	(35,312)
Net investment income	-	260,155	(260,155)
Benefit payments, including refunds of employee contributions	(72,665)	(72,665)	-
Administrative expense	-	(1,127)	1127
Net changes	113,748	280,506	(166,758)
<b>Balance at 6/30/2014</b>	\$ 1,841,006	\$ 1,842,478	\$ (1,472)

**BLEDSON COUNTY NURSING HOME**  
**(A COMPONENT UNIT OF BLEDSON COUNTY, TENNESSEE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**(12) PENSION PLAN** (Continued) :

**Net Pension Liability (Asset)** (continued) –

*Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate –*

The following presents the Nursing Home’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net pension liability (asset)	\$ 238,195	\$ (1,472)	\$ (201,851)

**Pension expense –**

For the year ended June 30, 2015, the Nursing Home recognized pension expense of \$5,747.

**Deferred outflows of resources and deferred inflows of resources –**

For the year ended June 30, 2015, the Nursing Home reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 830
Net difference between projected and actual earnings on pension plan investments	-	113,795
Contributions subsequent to the measurement date of June 30, 2014 *	<u>68,786</u>	<u>-</u>
Total	<u>\$ 68,786</u>	<u>\$ 114,625</u>

\* The amount shown above for “Contributions subsequent to the measurement date of June 30,2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

**BLEDSON COUNTY NURSING HOME**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**(12) PENSION PLAN** (Continued) :

**Deferred outflows of resources and deferred inflows of resources** (continued) –

Deferred outflow of resources are the actual contributions made during the 2014-2015 fiscal year which relates to pensions for the 2015-2016 fiscal year and are not necessarily based on census data proration.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows –

<b>Year Ended June 30</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2016	\$ 68,786	\$ (28,656)
2017	-	(28,656)
2018	-	(28,656)
2019	-	(28,657)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**(13) PRIOR PERIOD ADJUSTMENT AND RESTATEMENT:**

The Nursing Home’s financial activities have been restated to record the effects of implementing GASB 68 and GASB 71 for the year ended June 30, 2014. The prior period adjustment resulted in the initial establishment of a net pension liability of \$165,286 and a deferred outflow from pensions of \$58,831. The net effect of the restatement was a decrease in prior year net operating loss of \$58,831. The net effect of the prior period adjustment was a decrease in unrestricted net position of \$165,286.

**(14) SUBSEQUENT EVENTS:**

The Nursing Home noted no transactions that would provide evidence about material conditions that did not exist at the balance sheet date but arose subsequently, through the date these financial statements were available to be issued, November 5, 2015.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BLEDSON COUNTY NURSING HOME**  
**(A COMPONENT UNIT OF BLEDSON COUNTY, TENNESSEE)**  
**SCHEDULE OF THE NURSING HOME'S PROPORTIONATE**  
**SHARE OF THE NET PENSION ASSET (LIABILITY)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Nursing Home's Proportion of the Net Pension Asset (Liability)	12.23%	12.23%
Nursing Home's Proportionate Share of the Net Pension Asset (Liability)	\$ 1,472	\$ (165,286)
Covered Employee Payroll	\$ 797,059	\$ 793,673
Nursing Home's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Employee Payroll	0.18%	20.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	100.08%

**BLEDSON COUNTY NURSING HOME**  
**(A COMPONENT UNIT OF BLEDSON COUNTY, TENNESSEE)**  
**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION**  
**IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 68,786	\$ 58,831
Less Contributions in Relation to Actuarially Determined Contribution	<u>(68,786)</u>	<u>(58,831)</u>
Contribution Deficiency actual experience	<u>=</u>	<u>=</u>
Covered Employee Payroll	\$ 797,059	793,673
Contributions as a Percentage of Covered Employee Payroll	8.63%	7.41%

This is a 10- year schedule; however the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years information are available.

**BLEDSON COUNTY NURSING HOME**  
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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Valuation date -**

Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

**Methods and assumptions used to determine contribution rates -**

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed twenty years)
Remaining amortization period	Two years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customizable table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustment	2.5 percent

**SUPPLEMENTARY INFORMATION**

**BLEDSON COUNTY NURSING HOME**  
**(A COMPONENT UNIT OF BLEDSON COUNTY, TENNESSEE)**  
**SCHEDULE 1 - NET PATIENT SERVICE REVENUE**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>PATIENT SERVICE REVENUE:</b>		
Routine	\$ 2,604,700	\$ 2,500,440
Central service and supply	20,182	20,497
Pharmacy	29,473	31,695
Total patient service revenue	2,654,355	2,552,632
<b>REVENUE DEDUCTIONS:</b>		
Medicaid contractual adjustments	(47,146)	95,298
Total revenue deductions	(47,146)	95,298
Net patient service revenue	\$ 2,701,501	\$ 2,457,334

**BLEDSON COUNTY NURSING HOME**  
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**SCHEDULE 2 - SALARIES AND BENEFITS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>NURSING SERVICES:</b>		
Routine	\$ 834,943	\$ 868,765
<b>OTHER PROFESSIONAL SERVICES:</b>		
Pharmacy	<u>1,488</u>	<u>2,688</u>
<b>GENERAL SERVICES:</b>		
Housekeeping	130,289	100,637
Plant operation	<u>102,038</u>	<u>85,734</u>
Total general services	<u>232,327</u>	<u>186,371</u>
<b>ADMINISTRATIVE AND FISCAL SERVICES:</b>		
Administrative and business offices	<u>343,132</u>	<u>384,779</u>
Total salaries and benefits	<u>\$ 1,411,890</u>	<u>\$ 1,442,603</u>

**BLEDSON COUNTY NURSING HOME**  
**(A COMPONENT UNIT OF BLEDSON COUNTY, TENNESSEE)**  
**SCHEDULE 3 - MEDICAL SUPPLIES AND DRUGS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>NURSING SERVICES:</b>		
Routine	\$ <u>22,370</u>	\$ <u>28,469</u>
<b>OTHER PROFESSIONAL SERVICES:</b>		
Pharmacy	<u>12,207</u>	<u>11,523</u>
Total medical supplies and drugs	<u>\$ 34,577</u>	<u>\$ 39,992</u>

**BLEDSON COUNTY NURSING HOME**  
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**SCHEDULE 4 - OTHER SUPPLIES**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>GENERAL SERVICES:</b>		
Dietary	\$ 1,157	\$ 1,335
Housekeeping	68,185	71,199
Plant operations, maintenance, and social services	13,042	9,539
Total general services	82,384	82,073
<b>ADMINISTRATIVE AND FISCAL SERVICES:</b>		
Administrative and business office	6,023	4,450
Total other supplies	\$ 88,407	\$ 86,523

**BLEDSON COUNTY NURSING HOME**  
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**SCHEDULE 5 - OTHER EXPENSES**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>NURSING SERVICES:</b>		
Routine	\$ 8,346	\$ 7,735
<b>GENERAL SERVICES:</b>		
Dietary	326,228	357,331
Housekeeping	284	-
Plant operation, maintenance, and social services	123,726	123,951
Total general services	450,238	481,282
<b>ADMINISTRATIVE AND FISCAL SERVICES:</b>		
Administrative and business office	468,479	388,185
Total other expenses	\$ 927,063	\$ 877,202

## **COMPLIANCE**



**INDEPENDENT AUDITORS' 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**

**To the Board of Directors of  
Bledsoe County Nursing Home  
(a component unit of Bledsoe County, 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 Bledsoe County Nursing Home (a component unit of Bledsoe County, Tennessee) (the Nursing Home), which comprise the balance sheets as of June 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2015.

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 over financial reporting. 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 over financial reporting 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2009-1, that we consider to be a significant deficiency.

### Compliance and Other Matters

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

### Bledsoe County Nursing Home's Response to Findings

Bledsoe County Nursing Home's (a component unit of Bledsoe County, Tennessee) response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Bledsoe County 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 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.

*Johnson, Niskey & Meucham, P.C.*

November 5, 2015

**BLEDSON COUNTY NURSING HOME**  
**(A COMPONENT UNIT OF BLEDSON COUNTY, TENNESSEE)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2015**

**PRIOR YEAR FINDINGS:**

Finding Control Number and Status

2009-1 Still outstanding for 2015

**CURRENT YEAR FINDINGS AND REPOSESES:**

Finding 2009-1: Reconciliation of Balance Sheet Accounts

*Condition:* Some material balance sheet accounts were not reconciled to supporting documentation at year end.

*Criteria:* Accounting tasks such as monthly and annual reconciliations play a key role in providing the accuracy of accounting data and information included in the financial statements.

*Effect:* Failure to appropriately monitor balance sheet reconciliations could result in undetected material misstatements in the financial statements. The failure to ensure appropriate account reconciliations could allow errors to go undetected in the financial statements that management uses as part of its decision making process. Conversely, appropriate account reconciliations should provide management with more confidence in the financial statements.

*Recommendation:* A reconciliation of all balance sheet accounts should be prepared to determine that all transactions have been recorded and to discover any potential errors. These reconciliations will ensure meaningful and accurate financial statements.

*Views of Responsible Officials:* The officials concur with the finding.

*Planned Corrective Action:* Management's response is located on page 40.

*Bledsoe County Nursing Home*

*Pikeville, Tennessee 37367*

*107 Wheelertown Ave. — P. O. Box 250  
Telephone (423) 447-6811*

November 5, 2015

Tennessee Department of Audit  
Division of County Audit  
Suite 1500  
James K. Polk State Office Building  
Nashville, TN 37243-1402

Bledsoe County Nursing Home (a component unit of Bledsoe County, Tennessee) submits the following plan for corrective action regarding significant deficiency associated with our internal controls for the year ended June 30, 2015.

The "Independent Auditors' 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*" issued by Johnson, Hickey & Murchison, P.C., on November 5, 2015, referenced an instance of a significant deficiency. The corrective action taken on these items is as follows:

Finding 2009-1

RECONCILIATION OF BALANCE SHEET ACCOUNTS

Some material balance sheet accounts were not reconciled to supporting documentation at year end.

Corrective Action Plan/Management Response

We concur with the recommendation. The office manager will start implementing a monthly reconciliation of all balance sheet accounts.

Sincerely,



Sharon Holliday  
Director of Nursing and  
Assistant Administrator

