

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

ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED

JUNE 30, 2022

BLEDSOE COUNTY NURSING HOME
(A COMPONENT OF BLEDSOE COUNTY, TENNESSEE)
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June 30, 2022

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BLEDSON COUNTY NURSING HOME
(A COMPONENT OF BLEDSON COUNTY, TENNESSEE)
ROSTER OF OFFICIALS
June 30, 2022

BOARD OF DIRECTORS

Chairman

Steve Standefer

Vice Chairman

Tanya Roberson

Members

Wayne Swafford

Robert Reece

Brenda Burgess

Karyn Angel

ADMINISTRATOR

Daniel Brown

Independent Auditor's Report

Board of Directors
Bledsoe County Nursing Home
(a component unit of Bledsoe County, Tennessee)
Pikeville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Bledsoe County Nursing Home, a component unit of Bledsoe County, Tennessee, (the "Nursing Home"), as of and for the year ended June 30, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nursing Home as of June 30, 2022, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Nursing Home and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nursing Home's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nursing Home's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nursing Home's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS, and the Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS on pages 24 through 25, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Roster of Officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 17, 2023, on our consideration of the Nursing Home's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Nursing Home's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Nursing Home's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
April 17, 2023

Bledsoe County Nursing Home
(A Component of Bledsoe County, Tennessee)
Management's Discussion and Analysis
Year Ended June 30, 2022

This discussion and analysis is intended to serve as an introduction to the June 30, 2022 and 2021, 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 statements report all revenues and expenses and reconcile the beginning and end of year net position balances.

The statements of net position include all of BCNH's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of June 30, 2022 and 2021. The statements also present the balance of assets and deferred outflows in excess of liabilities and deferred inflows, 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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1,267,052 and \$1,467,152 at June 30, 2022 and 2021, respectively.

Operating loss for fiscal year 2022 was \$357,774, as compared to operating losses of \$387,237 for fiscal year 2021, which is an 8% increase.

As of June 30, 2022, the Nursing Home has received \$406,875 through the Public Health and Social Services Emergency Fund (Provider Relief Fund) for healthcare related expenses or lost revenues attributable to COVID-19. The Nursing Home previously received and expended \$443,860 during the fiscal years ended June 30, 2021 and 2020. The Nursing Home has recorded these funds as other unearned revenue at June 30, 2022, on the statement of net position. These funds are not required to be repaid if the terms and conditions applicable for each payment are accepted and funds are used in compliance with said terms and conditions.

Bledsoe County Nursing Home
(A Component of Bledsoe County, Tennessee)
Management's Discussion and Analysis
Year Ended June 30, 2022

FINANCIAL ANALYSIS

Financial Position –

Total assets, total liabilities and total net position at June 30, 2022 and 2021, are as follows:

	2022	2021	Increase (Decrease)
Current assets	\$ 1,509,109	\$ 1,687,156	\$ (178,047)
Depreciable capital assets, net	219,018	202,265	16,753
Noncurrent assets	409,748	-	409,748
Total assets	<u>2,137,875</u>	<u>1,889,421</u>	<u>248,454</u>
Deferred outflows of resources	<u>383,214</u>	<u>187,207</u>	<u>196,007</u>
Total assets and deferred outflows of resources	<u>2,521,089</u>	<u>2,076,628</u>	<u>444,461</u>
Current liabilities	719,731	385,467	334,264
Other liabilities:	18,522	36,802	(18,280)
Total liabilities	<u>738,253</u>	<u>422,269</u>	<u>315,984</u>
Deferred inflows of resources	<u>515,784</u>	<u>29,533</u>	<u>486,251</u>
Total liabilities and deferred inflows of resources	<u>1,254,037</u>	<u>451,802</u>	<u>802,235</u>
Net position:			
Investment in capital assets	219,018	202,265	16,753
Restricted for pension	-	37,361	(37,361)
Unrestricted	1,048,034	1,385,200	(337,166)
Total net position	<u>\$ 1,267,052</u>	<u>\$ 1,624,826</u>	<u>\$ (357,774)</u>

Bledsoe County Nursing Home
(A Component of Bledsoe County, Tennessee)
Management's Discussion and Analysis
Year Ended June 30, 2022

Operations -

Components of BCNH's operating revenues, operating expenses and nonoperating income (expense) for the years ended June 30, 2022 and 2021, are as follows:

	2022	2021	Increase (Decrease)
Operating Revenue:			
Net patient service revenue	\$ 2,920,306	\$ 2,756,931	\$ 163,375
Rental income	-	4,000	(4,000)
Other revenue	44,134	526,144	(482,010)
Total operating revenues	<u>2,964,440</u>	<u>3,287,075</u>	<u>(322,635)</u>
Operating Expenses:			
Salaries and benefits	2,387,861	2,007,413	380,448
Medical supplies and drugs	123,362	228,226	(104,864)
Insurance	79,841	60,921	18,920
Other supplies	426,297	340,248	86,049
Depreciation	17,046	9,257	7,789
Other expenses	521,430	1,048,444	(527,014)
Total operating expenses	<u>3,555,837</u>	<u>3,694,509</u>	<u>(138,672)</u>
Operating loss	(591,397)	(407,434)	(183,963)
Nonoperating Revenue:			
Other income	222,734	-	222,734
Interest income	10,889	20,197	(9,308)
Total nonoperating revenues	<u>233,623</u>	<u>20,197</u>	<u>213,426</u>
Increase (decrease) in net position	(357,774)	(387,237)	29,463
Net position, beginning of year	<u>1,624,826</u>	<u>2,012,063</u>	
Net position, end of year	<u>\$ 1,267,052</u>	<u>\$ 1,624,826</u>	

BCNH experienced an increase of \$163,375 or 5.9% in net patient service revenue for fiscal year 2022 compared to a decrease of \$393,134 or 12.5% in net patient service revenue for fiscal year 2021 due to fluctuations in occupancy and payor mix. Expenses are subject to minimum levels required to run the facility but increase as occupancy increases. In fiscal year 2021, the Nursing Home recognized significant Provider Relief Funds for eligible costs incurred. The funding for fiscal year 2022 has been deferred until eligible costs have been incurred and will be recognized in future periods.

Bledsoe County Nursing Home
(A Component of Bledsoe County, Tennessee)
Management's Discussion and Analysis
Year Ended June 30, 2022

Nonoperating Revenue –

Nonoperating revenue consists of interest earned on BCNH's cash accounts and certificates of deposits.

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, 2022 and 2021, BCNH had \$219,018 and \$202,265, respectively, invested in capital assets net of accumulated depreciation as detailed in Note 5 to the financial statements. BCNH had no long-term debt at June 30, 2022 and 2021.

Contacting BCNH's Financial Management -

This financial report is designed to provide 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
- Karyn Angel
- Brenda Burgess
- Robert Reece
- Wayne Swafford

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

- Daniel Brown, Administrator

BLEDSON COUNTY NURSING HOME
(A COMPONENT UNIT OF BLEDSON COUNTY, TENNESSEE)
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and cash equivalents	\$ 37,535
Cash and cash equivalents - restricted	18,522
Certificates of deposit	1,178,363
Receivables, net of allowance for doubtful accounts of \$205,484	267,491
Prepays	7,198
Total current assets	<u>1,509,109</u>

CAPITAL ASSETS

Non-depreciable	33,799
Depreciable, net of accumulated depreciation	185,219
Total capital assets, net of accumulated depreciation	<u>219,018</u>

OTHER NONCURRENT ASSETS

Net pension asset	409,748
Total other noncurrent assets	<u>409,748</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension plan	383,214
Total deferred outflows of resources	<u>383,214</u>

Total assets and deferred outflows of resources	<u><u>\$ 2,521,089</u></u>
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LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 65,833
Overdrawn cash account	85,631
Resident trust fund	18,522
Unearned revenue	406,875
Accrued compensation	57,888
Accrued expenses	103,504
Total current liabilities	<u>738,253</u>

Total liabilities	<u>738,253</u>
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DEFERRED INFLOWS OF RESOURCES

Pension plan	515,784
Total deferred inflows of resources	<u>515,784</u>

NET POSITION

Investment in capital assets	219,018
Unrestricted	1,048,034
Total net position	<u>1,267,052</u>

Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 2,521,089</u></u>
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The accompanying notes are an integral part of these financial statements.

BLEDSON COUNTY NURSING HOME
(A COMPONENT UNIT OF BLEDSON COUNTY, TENNESSEE)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

OPERATING REVENUES

Net patient service revenue	\$ 2,920,306
Cafeteria revenue	<u>44,134</u>
Total operating revenues	<u>2,964,440</u>

OPERATING EXPENSES

Salaries, wages, and employee benefits	2,387,861
Medical supplies and drugs	123,362
Insurance	79,841
Other supplies	426,297
Other operating expenses	521,430
Depreciation	<u>17,046</u>
Total operating expenses	<u>3,555,837</u>
Net operating loss	<u>(591,397)</u>

NON-OPERATING REVENUES

Interest income	10,889
Other income	<u>222,734</u>
Total non-operating revenues	<u>233,623</u>

CHANGE IN NET POSITION

(357,774)

TOTAL NET POSITION - BEGINNING

1,624,826

TOTAL NET POSITION - ENDING

\$ 1,267,052

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

BLEDSON COUNTY NURSING HOME
(A COMPONENT UNIT OF BLEDSON COUNTY, TENNESSEE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from patients and third-party payors	\$ 3,487,911
Cash paid to suppliers	(1,049,651)
Cash paid to employees	(2,508,108)
Net cash used in operating activities	<u>(69,848)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(33,799)
Net cash used by capital and related financing activities	<u>(33,799)</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Other income	222,734
Net cash provided by non-capital and related financing activities	<u>222,734</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Maturities of certificates of deposits	836,774
Purchases of certificates of deposits	(900,000)
Interest received	10,889
Net cash used by investing activities	<u>(52,337)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	66,750
CASH AND CASH EQUIVALENTS - BEGINNING	<u>(10,693)</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 56,057</u></u>
CLASSIFIED ON THE STATEMENT OF NET POSITION AS:	
Cash and cash equivalents	\$ 37,535
Cash and cash equivalents - restricted	18,522
Total:	<u><u>\$ 56,057</u></u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Net operating loss	\$ (591,397)
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	17,046
Change in assets, deferred outflows of resources, deferred inflows of resources, and liabilities	
Decrease in accounts receivable	116,596
Increase in prepaids	(3,816)
Increase in net pension asset	(372,387)
Increase in deferred outflows of resources - TCRS pension plan	(196,007)
Increase in accrued compensation	12,368
Increase in accounts payable	3,940
Increase in unearned revenue	406,875
Decrease in accrued expenses	(16,668)
Increase in overdrawn cash account	85,631
Decrease in resident trust fund	(18,280)
Increase in deferred inflows of resources - TCRS pension plan	486,251
Net Cash Used In Operating Activities	<u><u>\$ (69,848)</u></u>

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

BLEDSOE COUNTY NURSING HOME
(A COMPONENT OF BLEDSOE COUNTY, TENNESSEE)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The 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-member Board appointed by the Bledsoe County Commission who also have financial responsibility of the Nursing Home, such as approval of any bond indentures. As a public corporation, the Nursing Home is exempt from federal income tax.

The financial statements of the Nursing Home have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

B. Basis of Presentation

The Nursing Home operations are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred.

The Nursing Home does not have a legally binding budget.

The Nursing Home is accounted for as an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

BLEDSON COUNTY NURSING HOME
(A COMPONENT OF BLEDSON COUNTY, TENNESSEE)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the Nursing Home is patient service revenue. Operating expenses of the Nursing Home include the cost of patient services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Operating and Restricted Cash

Operating cash and restricted cash include cash on hand, amounts due from banks, interest-bearing deposits at various financial institutions, and short-term investments with an original maturity of three months or less.

E. Patient Accounts Receivable

The Nursing Home uses the reserve method in determining bad debt expense. The total reserve at June 30, 2022, was \$205,404.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their acquisition value on the date donated. The Nursing Home defines capital assets as assets with an initial, individual cost of greater than \$5,000 an estimated useful life of one year or greater.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Land and certain land improvements are inexhaustible capital assets and are not depreciated. Depreciation on depreciable capital assets is calculated over the estimated lives of the capital assets utilizing the straight-line method over the following estimated lives:

	<u>Years</u>
Land Improvements	5 - 40
Buildings	5 - 40
Nonmovable Equipment	5 - 10
Major Movable Equipment	5 - 10
Minor Movable Equipment	5 - 10

BLEDSOE COUNTY NURSING HOME
(A COMPONENT OF BLEDSOE COUNTY, TENNESSEE)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Restricted Assets

When both restricted and unrestricted resources are available for use, policy is to use restricted resources first.

H. Compensated Absences

Employees of the Nursing Home are entitled to personal annual leave depending on the length of service and other factors set forth in the Nursing Home's personnel manual. Upon termination, employees of the Nursing Home are compensated for any personal annual leave earned but not taken.

I. Revenues and Expenses

Substantially all revenues are recognized on the accrual basis. Expenditures are recognized when the related liability is incurred.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

K. 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, deferred outflows and inflows of resources, 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.

L. Net Position

The Nursing Home's financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets - is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted Net Position - represents net position that has third party (statutory, bond covenant or granting agency) limitations on their use. The Nursing Home's policy is generally to use restricted net position first, as appropriate opportunities arise.

**BLEDSOE COUNTY NURSING HOME
(A COMPONENT OF BLEDSOE COUNTY, TENNESSEE)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Net Position (Continued)

Unrestricted Net Position - represents unrestricted net position. While management may have categorized and segmented portions for various purposes, the Nursing Home has the unrestricted authority to alter these managerial decisions.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and therefore, will not be recognized as an inflow of resources (revenue) until that time. The Nursing Home has deferred inflows and outflows related to the recording of changes in its net pension liability (asset). Certain changes in the net pension liability (asset) is recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the Nursing Home's actuary which adjust the net pension liability (asset) for actual experience for certain trend information that was previously assumed. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability (asset) is also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the Nursing Home to the pension plan before year end but subsequent to the measurement date of the Nursing Home's net pension liability (asset) is reported as deferred outflows of resources. These contributions will reduce the Nursing Home's net pension liability (asset) in the next fiscal period.

N. Pensions

For purposes of measuring the net pension liability (asset), 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 additions 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.

BLEDSOE COUNTY NURSING HOME
(A COMPONENT OF BLEDSOE COUNTY, TENNESSEE)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2. CASH DEPOSITS AND CERTIFICATES OF DEPOSIT

Custodial credit risk - Custodial credit risk relating to deposits is the risk that in the event of a bank failure, the Nursing Home's deposits may not be returned to it. As of June 30, 2022, the Nursing Home's cash deposits with financial institutions are fully insured or collateralized by securities held in the Nursing Home's name, as required by the Nursing Home's policy.

The Nursing Home's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered 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. The entire amount of the deposits was covered by the State of Tennessee Collateral Pool or FDIC Insurance.

At June 30, 2022, the Nursing Home held certificates of deposit totaling \$1,178,363 with two local financial institutions. The certificates of deposit are nonnegotiable. The Nursing Home's certificates of deposit are considered non-participating interest-bearing contracts and are recorded at cost. Certificates of deposit totaling \$200,000 have maturities of less than 1 year and \$978,363 have maturities of between 1-5 years.

BLEDSOE COUNTY NURSING HOME
(A COMPONENT OF BLEDSOE COUNTY, TENNESSEE)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Depreciable capital assets:				
Land improvements	\$ 48,696	\$ -	\$ -	\$ 48,696
Building	1,373,942	-	-	1,373,942
Fixed equipment	113,521	-	-	113,521
Major moveable equipment	16,232	-	-	16,232
Minor moveable equipment	64,195	-	-	64,195
Total capital assets	<u>1,616,586</u>	<u>-</u>	<u>-</u>	<u>1,616,586</u>
Less accumulated depreciation for:				
Land improvements	(44,456)	-	-	(44,456)
Building	(1,199,202)	(12,792)	-	(1,211,994)
Fixed equipment	(113,520)	-	-	(113,520)
Major moveable equipment	(16,232)	-	-	(16,232)
Minor moveable equipment	(40,911)	(4,254)	-	(45,165)
Total accumulated depreciation	<u>(1,414,321)</u>	<u>(17,046)</u>	<u>-</u>	<u>(1,431,367)</u>
Capital assets being depreciated, net	<u>202,265</u>	<u>(17,046)</u>	<u>-</u>	<u>185,219</u>
Non-depreciable capital assets:				
Construction in process	<u>-</u>	<u>33,799</u>	<u>-</u>	<u>33,799</u>
Total capital assets, net	<u>\$ 202,265</u>	<u>\$ 16,753</u>	<u>\$ -</u>	<u>\$ 219,018</u>

Depreciation expense totaled \$17,046 for the year ended June 30, 2022.

NOTE 4. LONG-TERM LIABILITIES

Changes in the long-term liabilities for the fiscal year ended June 30, 2022 were as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Compensated absences	<u>\$ 45,520</u>	<u>\$ 105,820</u>	<u>\$ (93,452)</u>	<u>\$ 57,888</u>

BLEDSOE COUNTY NURSING HOME
(A COMPONENT OF BLEDSOE COUNTY, TENNESSEE)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5. PENSION PLAN

Tennessee Consolidated Retirement System - General Information about the Pension Plan

Plan Description. Employees of the Nursing Home are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The employees of Nursing Home comprise 15.69 percent of the plan based on contribution 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.

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 60 with 5 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 10 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 2nd 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 3 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.

Employees covered by benefit terms. As of June 30, 2021, the date of the most recent valuation, there were 38 employees covered by the benefit terms.

BLEDSOE COUNTY NURSING HOME
(A COMPONENT OF BLEDSOE COUNTY, TENNESSEE)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5. PENSION PLAN (CONTINUED)

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% 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, 2022, employer contributions for the Nursing Home were \$95,017 based on a rate of 5.63 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Nursing Home'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.

Net Pension Liability (Asset)

The Nursing Home's net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00%
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

BLEDSOE COUNTY NURSING HOME
(A COMPONENT OF BLEDSOE COUNTY, TENNESSEE)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5. PENSION PLAN (CONTINUED)

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, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the table below:

Asset class	Target allocation	Long-term expected real rate of return*
U.S. equity	31%	4.88%
Developed market international equity	14%	5.37%
Emerging market international equity	4%	6.09%
Private equity and strategic lending	20%	6.57%
U.S. fixed income	20%	1.20%
Real estate	10%	4.38%
Short-term securities	1%	—%
Total	<u>100%</u>	

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Nursing Home will be made at the actuarially determined contribution rate pursuant to an actuarial valuation 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.

BLEDSOE COUNTY NURSING HOME
(A COMPONENT OF BLEDSOE COUNTY, TENNESSEE)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5. PENSION PLAN (CONTINUED)

Changes in the Net Position Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2020	\$ 4,483,557	\$ 4,520,918	\$ (37,361)
Changes for the year			
Service cost	100,608	-	100,608
Interest	252,670	-	252,670
Differences between expected and actual	(27,298)	-	(27,298)
Change of assumptions	323,595	-	323,595
Contributions - employer	-	72,442	(72,442)
Contributions - employee	-	64,305	(64,305)
Net investment income	-	889,139	(889,139)
Benefit payments	(151,510)	(151,510)	-
Administrative expense	-	(3,924)	3,924
Net changes	498,065	870,452	(372,387)
Balance at June 30, 2021	<u>\$ 4,981,622</u>	<u>\$ 5,391,370</u>	<u>\$ (409,748)</u>

The required schedule of changes in the Nursing Home's net pension liability (asset) and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total net pension liability (asset).

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Nursing Home calculated using the discount rate of 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Nursing Home's net pension liability (asset)	\$ 126,046	\$ (409,748)	\$ (852,635)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2022, the Nursing Home recognized pension income of \$15,142.

BLEDSOE COUNTY NURSING HOME
(A COMPONENT OF BLEDSOE COUNTY, TENNESSEE)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5. PENSION PLANS (CONTINUED)

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, 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>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 479,022
Differences between expected and actual experience	29,321	36,762
Changes in assumptions	258,876	-
Contributions subsequent to the measurement date	95,017	-
Total	<u>\$ 383,214</u>	<u>\$ 515,784</u>

Nursing Home contributions subsequent to the measurement date of \$95,017 are reported as deferred outflows of resources and will be recognized as a reduction (increase) of the net pension liability (asset) in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2023	\$ (48,053)
2024	(50,193)
2025	(59,523)
2026	(69,818)
	<u>\$ (227,587)</u>

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

Payable to the Pension Plan

At June 30, 2022, the Nursing Home had no payables for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

BLEDSON COUNTY NURSING HOME
(A COMPONENT OF BLEDSON COUNTY, TENNESSEE)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6. RISK MANAGEMENT

The Nursing Home is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Nursing Home purchases commercial insurance for claims and for all risks of loss. Settled claims for losses have not exceeded commercial insurance coverage in any of the past three years.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Litigation

There are no suits pending on unasserted claims that would result in material liabilities to the Nursing Home. The Nursing Home has entered into various agreements and contracts in the normal course of business. Such agreements do not give rise to assets or liabilities considered to be material at June 30, 2022.

Construction Commitments

The Nursing Home has active construction projects as of June 30, 2022. The projects include remodeling of the patient bathrooms and showers. At year end, the Nursing Home's commitments with contractors amounted to \$66,643.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability								
Service cost	\$ 461,164	\$ 485,583	\$ 511,034	\$ 558,060	\$ 582,536	\$ 611,069	\$ 640,266	\$ 641,223
Interest	1,071,540	1,141,559	1,218,537	1,278,614	1,345,781	1,435,649	1,532,834	1,610,391
Differences between actual & expected experience	(8,480)	41,725	(266,568)	(92,239)	261,617	336,384	(158,527)	(173,984)
Change of assumptions	-	-	-	474,498	-	-	-	2,062,426
Benefit payments, including refunds of employee contributions	(594,151)	(635,980)	(699,910)	(718,110)	(740,084)	(1,217,724)	(925,905)	(965,648)
Net change in total pension liability	930,073	1,032,887	763,093	1,500,823	1,449,850	1,165,378	1,088,668	3,174,408
Total pension liability-beginning	14,123,122	15,053,195	16,086,082	16,849,175	18,349,998	19,799,848	20,965,226	22,053,894
Total pension liability-ending (a)	<u>\$ 15,053,195</u>	<u>\$ 16,086,082</u>	<u>\$ 16,849,175</u>	<u>\$ 18,349,998</u>	<u>\$ 19,799,848</u>	<u>\$ 20,965,226</u>	<u>\$ 22,053,894</u>	<u>\$ 25,228,302</u>
Plan fiduciary net position								
Contributions-employer	\$ 481,040	\$ 496,981	\$ 529,435	\$ 576,669	\$ 608,015	\$ 655,156	\$ 433,234	\$ 461,482
Contributions-employee	288,734	300,511	305,528	377,443	352,791	380,902	385,823	409,842
Net investment income	2,127,188	467,027	418,156	1,852,789	1,528,017	1,484,142	1,053,958	5,721,264
Benefit payments, including refunds of employee contributions	(594,151)	(635,980)	(699,910)	(718,110)	(740,084)	(1,217,724)	(925,905)	(965,648)
Administrative expense	(9,219)	(12,566)	(19,500)	(21,894)	(24,648)	(23,212)	(23,302)	(24,778)
Other	-	-	23,974	4,719	-	-	-	-
Net change in plan fiduciary net position	2,293,592	615,973	557,683	2,071,616	1,724,091	1,279,264	923,808	5,602,162
Plan fiduciary net position-beginning	12,771,639	15,065,231	15,681,204	16,238,887	18,310,503	20,034,594	21,313,858	22,237,666
Plan fiduciary net position-ending (b)	<u>\$ 15,065,231</u>	<u>\$ 15,681,204</u>	<u>\$ 16,238,887</u>	<u>\$ 18,310,503</u>	<u>\$ 20,034,594</u>	<u>\$ 21,313,858</u>	<u>\$ 22,237,666</u>	<u>\$ 27,839,828</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (12,036)</u>	<u>\$ 404,878</u>	<u>\$ 610,288</u>	<u>\$ 39,495</u>	<u>\$ (234,746)</u>	<u>\$ (348,632)</u>	<u>\$ (183,772)</u>	<u>\$ (2,611,526)</u>
Plan fiduciary net position as a percentage of total pension liability (asset)	100.08%	97.48%	96.38%	99.78%	101.19%	101.66%	100.83%	110.35%
Nursing Home's proportionate share of the net pension liability (asset) (%)	12.23%	13.68%	14.72%	11.73%	13.45%	14.51%	20.33%	15.69%
Nursing Home's net pension liability (asset)	\$ (1,472)	\$ 55,387	\$ 89,834	\$ 4,633	\$ (31,573)	\$ (50,587)	\$ (37,361)	\$ (409,748)
Covered payroll	\$ 793,673	\$ 797,059	\$ 904,635	\$ 784,594	\$ 947,315	\$ 1,101,219	\$ 1,089,220	\$ 1,286,712
Net pension liability (asset) as a percentage of covered payroll	-1.52%	50.80%	67.46%	5.03%	-24.78%	-31.66%	-16.87%	-202.96%

Notes to Schedule:

Changes in Plan Provisions, Actuarial Assumptions, and Actuarial Methods

Based on the 2020 experience study, the following changes were made to the actuarial assumptions effective June 30, 2021: Discount rate was lowered from 7.25% to 6.75%, inflation assumption was lowered from 2.50% to 2.25%, cost-of-living adjustment for monthly retirement benefits was lowered from 2.25% to 2.125%, increase in the Social Security Wage Base was lowered from 3.00% to 2.75%, turnover and retirement rates were adjusted based on TCRS experience, and post-retirement mortality assumption for Service Retirement was updated from the rates developed in the 2016 experience study to the rates developed in the 2020 experience study.

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 of information is available.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially determined contribution	\$ 58,831	\$ 68,786	\$ 67,987	\$ 67,712	\$ 81,696	\$ 95,035	\$ 61,323	\$ 72,442	\$ 95,017
Contributions in relation to the actuarially determined contribution	58,831	68,786	67,987	67,712	81,696	95,035	61,323	72,442	95,017
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	793,673	797,059	904,635	784,594	947,315	1,101,219	1,089,220	1,286,712	1,687,691
Contributions as a percentage covered payroll	7.41%	8.63%	7.52%	8.63%	8.62%	8.63%	5.63%	5.63%	5.63%

This is intended to be 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 of information is available.

BLEDSON COUNTY NURSING HOME
(A COMPONENT OF BLEDSON COUNTY, TENNESSEE)
NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

NOTE 1. NOTES TO SCHEDULE

Public Employee Pension Plan of TCRS

Valuation date: Actuarially determined contribution rates for 2022 were calculated based on the June 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00%
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

COMPLIANCE REPORT



**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
Bledsoe County Nursing Home
(a component unit of Bledsoe County, Tennessee)
Pikeville, Tennessee**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, Bledsoe County Nursing Home, a component unit of Bledsoe County, Tennessee's (the "Nursing Home") basic financial statements as listed in the accompanying table of contents, as of and for the year ended June 30, 2022 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 April 17, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nursing Home's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nursing Home's internal control.

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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001, 2022-002, and 2022-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-004 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nursing Home's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Nursing Home's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Nursing Home's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
April 17, 2023

**BLEDSON COUNTY NURSING HOME
(A COMPONENT OF BLEDSON COUNTY, TENNESSEE)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022**

**SECTION I
SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP.

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X yes no

Significant deficiency(ies) identified?

 X yes none reported

Noncompliance material to financial statements noted?

 X yes X no

Federal Awards

There was not an audit of major federal award programs for the year ended June 30, 2022, due to the total amount expended being less than \$750,000.

**BLEDSOE COUNTY NURSING HOME
(A COMPONENT OF BLEDSOE COUNTY, TENNESSEE)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022**

**SECTION II
FINANCIAL STATEMENT FINDINGS**

2022-001 Year-end Close and Reconciliations

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they are earned for exchange transactions and when the eligibility requirements of non-exchange transactions have been met, funds are measurable. Generally, expenses should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles (GAAP). Internal controls should be in place to ensure transactions are reported throughout the year are properly reconciled for the monthly and year-end financial statements is key to timely and reliable financial information.

Condition: During the fiscal year ended June 30, 2022 audit, several balances were not timely and accurately reconciled to the subledger accounts, resulting in audit adjustments to correct the balances.

Context: The following adjustments were required to correct the various general ledger balances:

- An adjustment was required to remove construction in process from the repairs and maintenance expense account. Management originally expensed approximately \$33,800 that should have been recorded in construction in process.
- An adjustment was required to beginning net position in order for it to agree to prior year's ending net position. Management did not post audit entries for fiscal year 2021 and did not reconcile their general ledger to the audited financial report. An adjustment of approximately \$151,000 was made to beginning net position.
- During our testing, it was noted numerous checks written with a check date of June 30, 2022 were not included in the outstanding checks as of June 30, 2022. An adjustment of approximately \$109,500 was made to reduce cash and increase the related expenses to properly account for these outstanding checks. As a result of not including these checks dated June 30th in the June 30, 2022 cash reconciliation, the reconciled cash balance was negative approximately \$86,000.

Effect: Adjustments of approximately \$294,300 were required to correct assets, net position, and related revenues and expenses. Additionally, as the Nursing Home's closeout process does not include a supporting analysis for each nonroutine event or transactions that required management's judgment and/or estimate. The analysis documents compliance with relevant GAAP and the entity's accounting policies

BLEDSON COUNTY NURSING HOME
(A COMPONENT OF BLEDSON COUNTY, TENNESSEE)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022

SECTION II
FINANCIAL STATEMENT FINDINGS (CONTINUED)

2022-001 Year-end Close and Reconciliations (Continued)

Cause: Throughout the course of the audit, it was noted many of the monthly and year-end reconciliations are not performed and did not include reconciliations to the underlying subsidiary listing.

Recommendation: We recommend management carefully review all year-end balances and ensure the monthly and yearly reconciliation procedures include both reconciliations of periodic activity and the reconciliation of the subledger to the general ledger balances.

Auditees Response: We concur with the finding. We will implement the necessary controls and procedures to ensure that monthly and year-end reconciliations are performed.

BLEDSOE COUNTY NURSING HOME
(A COMPONENT OF BLEDSOE COUNTY, TENNESSEE)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022

SECTION II
FINANCIAL STATEMENT FINDINGS (CONTINUED)

2022-002 Revenue Recognition and Related Receivables

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they are earned for exchange transactions and when the eligibility requirements of non-exchange transactions have been met, funds are measurable.

Condition: During fiscal year 2022, several audit adjustments were required to correct the timing of the recognition of certain revenues. The adjustments related to the patient receivable is mainly due to the receivable listings being tracked in manual spreadsheets with multiple formula errors and a lack of timely reconciliation of the patient listings/cards to the general ledger.

Context: The following adjustments were required to correct the reporting of revenues as follows:

- During the year, the nursing home received Provider Relief Funds. Since these funds had not been expended and eligible costs were not incurred, they should be deferred. An adjustment of approximately \$407,000 was required to defer the recognition of the revenue.
- During testing of patient receivables, it was noted there were numerous formula errors and input errors in the patient ledger card worksheets. An adjustment of approximately \$62,700 was necessary to adjust patient accounts receivables and related revenues.
- An adjustment of approximately \$55,400 was necessary to write-off Medicaid payments that were uncollectible. During review of the patient accounts receivables balances, several old account balances should be written-off because Medicaid would not pay for anything aged over one year.
- During testing of the allowance for doubtful accounts, it was noted there were multiple patient overpayments that were being included in the allowance. An adjustment of \$69,000 was required to remove the overpayments from the allowance and create a liability of the overpaid balances of \$34,500 and increase the understated receivables by 34,500.
- During the audit, we also noted patient invoices are not prenumbered and sequence is not accounted for.

Effect: Adjustments of approximately \$526,100 were required to correct the revenues and approximately \$34,500 were required to adjust related expenses.

BLEDSON COUNTY NURSING HOME
(A COMPONENT OF BLEDSON COUNTY, TENNESSEE)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022

SECTION II
FINANCIAL STATEMENT FINDINGS (CONTINUED)

2022-002 Revenue Recognition and Related Receivables (Continued)

Recommendation: We recommend management carefully review all year-end balances of accrued revenues and consider applicable accounting guidance based on transaction type (exchange and non-exchange transactions) to ensure revenues are properly valued and reported in the proper period. Additionally, the monthly reconciliation process should include a review and documented approval of the patient subledger to the general ledger.

Auditees Response: We concur with the finding. We will implement the necessary controls and procedures to ensure that revenues and receivables are properly identified, recorded, and reconciled in a timely manner and ensure that all transactions are being properly recognized during the correct period.

**BLEDSOE COUNTY NURSING HOME
(A COMPONENT OF BLEDSOE COUNTY, TENNESSEE)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022**

**SECTION II
FINANCIAL STATEMENT FINDINGS (CONTINUED)**

2022-003 Expenses and Related Assets/Liabilities

Criteria: Generally, expenses should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles (GAAP).

Condition: Misstatements were detected in the reporting of the Nursing Home's expenses and several deficiencies in the Nursing Home's internal control practice were noted.

Context/Cause: During testing of the Nursing Home's procedures surrounding year-end expense cut-off testing and documentation of the internal controls, we noted the following areas for improvement:

- The Nursing Home is not reconciling accounts payable to the general ledger on a monthly basis, and therefore, has no formal review of the activity.
- Purchase orders, receiving reports, debit/credit memos, and shipping orders for returned goods are not prenumbered and the sequence is not accounted for.
- There is not a current purchasing manual that defines restrictions on purchases of goods and services from governing body members, employees, or other suppliers that would create a conflict of interest.
- Management does not create a log of all invoices received above the limit dictated by entity policy and checks to ensure that they were recorded in the proper period.

Effects: By not having a strong internal control policy in place surrounding the Nursing Home's expenses and accrued liabilities, several audit adjustments were required as well as overall weaknesses in the disbursement process were noted.

Recommendation: We recommend the Nursing Home carefully review all expenses and related asset and liability accounts to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that expenses and their related assets and liabilities are properly recorded.

**BLEDSOE COUNTY NURSING HOME
(A COMPONENT OF BLEDSOE COUNTY, TENNESSEE)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022**

**SECTION II
FINANCIAL STATEMENT FINDINGS (CONTINUED)**

2022-004 Segregation of Duties

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: The Nursing Home does not have a current review and documented approval of the bank reconciliations, journal entries, and accounts receivable reconciliations.

Context/Cause: Although the small size of the Nursing Home's staff limits the segregation of duties, it is important that incompatible duties be assigned to different individuals and/or compensating controls implemented. One employee should not have access to both physical assets and the related accounting records, or to all phases of a transaction. During our testing, we noted there was not a documented review of the monthly bank reconciliations, the reconciliation of the manual private pay and Medicaid receivable listings, the approval of disbursements, approval of resident trust disbursements, manual journal entries, or monthly payable reconciliations.

Effects: Failure to properly segregate duties or implement compensating controls can lead to misappropriation of funds or abuse of the system that is not detected in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation: We recommend the Nursing Home segregate duties and/or implement compensating controls in the key area noted above. Further, we recommend implemented procedures to document approvals on invoices/disbursements. We also recommend documenting the preparer and reviewer of monthly bank reconciliations. Lastly, for debit card purchases we recommend documenting approval on each purchase order and receipt as well as documenting the business purpose.

Auditee's Response: We will continue to review our operations to determine the most efficient and effective solution to properly segregate duties.

**BLEDSON COUNTY NURSING HOME
(A COMPONENT OF BLEDSON COUNTY, TENNESSEE)
SCHEDULE PRIOR YEAR FINANCIAL STATEMENT FINDINGS
June 30, 2022**

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

2021-001 Reconciliation of Statements of Net Position Accounts

Condition: The Nursing Home was not reconciling some net position accounts on a monthly basis.

Status: Repeat finding

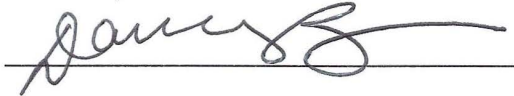
**BLEDSON COUNTY NURSING HOME
(A COMPONENT OF BLEDSON COUNTY, TENNESSEE)
MANAGEMENT'S CORRECTIVE ACTION PLAN**

FOR THE FISCAL YEAR ENDED June 30, 2022

2022-001 Year-end Close and Reconciliations

Contact Person Responsible for Corrective Action Plan: Daniel Brown, Administrator

Signature: _____



Corrective Action Plan: We concur with the finding. We will implement the necessary controls and procedures to ensure proper and timely monthly and year-end close and reconciliations are performed.

Anticipated Completion Date: June 30, 2023

2022-002 Revenue Recognition and Related Receivables

Contact Person Responsible for Corrective Action Plan: Daniel Brown, Administrator

Signature: _____



Corrective Action Plan: We concur with the finding. We will implement the necessary controls and procedures to ensure that revenues and receivables are properly identified, recorded, and reconciled in a timely manner and ensure that all transactions are being properly recognized during the correct period.

Anticipated Completion Date: June 30, 2023

**BLEDSON COUNTY NURSING HOME
(A COMPONENT OF BLEDSON COUNTY, TENNESSEE)
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED June 30, 2022**

2022-003 Expenses and Related Assets/Liabilities

Contact Person Responsible for Corrective Action Plan: Daniel Brown, Administrator

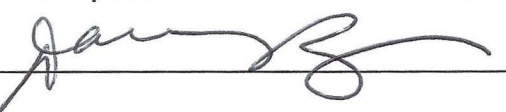
Signature: _____

Corrective Action Plan: We concur with the finding. We will take necessary steps in the future to ensure that expenses and their related asset and liabilities are properly recorded.

Anticipated Completion Date: June 30, 2023

2022-004 Segregation of Duties

Contact Person Responsible for Corrective Action Plan: Daniel Brown, Administrator

Signature: _____

Corrective Action Plan: We concur with the finding. We will continue to review our operations to determine the most efficient and effective solution to properly segregate duties.

Anticipated Completion Date: June 30, 2023