

**PARK REST
HARDIN COUNTY HEALTH CENTER**

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
JUNE 30,2010**

**PARK REST HARDIN COUNTY HEALTH CENTER
SAVANNAH, TENNESSEE
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2010**

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**PARK REST HARDIN COUNTY HEALTH CENTER
ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS
JUNE 30, 2010**

COUNTY COMMISSION

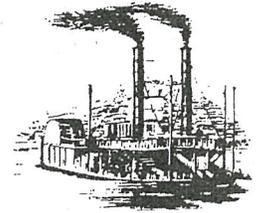
*Gary Combs	Fred McFalls, Jr.
Adam Coleman	Charles Howard
*David Childers	Roger L. Jenkins
Tracey Grisham	James Whitehorn, Sr.
Jimmy G. Grisham	*Kathy Smith
Ernie Bigbie	*Nickie L. Cagle
Gene Bryant	Mike Jerrolds
*Wally Hamilton	Stacey Stricklin
Tom Haggard	*Emery White
James S. Berry, Jr.	*Mike Fowler

MANAGEMENT OFFICIALS

Jo Park

Manager

*Member of nursing home committee



INDEPENDENT AUDITORS' REPORT

Park Rest Hardin County Health Center
Savannah, Tennessee

We have audited the accompanying financial statements of Park Rest Hardin County Health Center (a department of Hardin County, Tennessee) as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of Park Rest Hardin County Health Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Park Rest Hardin County Health Center are intended to present the financial position, results of operations, and cash flows of proprietary fund types of only that portion of the financial reporting entity of Hardin County, Tennessee, that is attributable to the transactions of Park Rest Hardin County Health Center. They do not purport to, and do not, present fairly the financial position of Hardin County, Tennessee, as of June 30, 2010 and 2009, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Park Rest Hardin County Health Center as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2010, on our consideration of Park Rest Hardin County Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Williams, Jerrold, Godwin & Nichols, PLLC

September 1, 2010

**PARK REST HARDIN COUNTY HEALTH CENTER
STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009**

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash	\$ 353,429	\$ 201,410
Accounts receivable, net of allowance for doubtful accounts of \$29,458 (29,458 in 2009)	185,360	136,138
Inventory	5,202	5,202
Prepaid expenses	26,096	15,757
TOTAL CURRENT ASSETS	570,087	358,507
FIXED ASSETS		
Land	26,700	26,700
Building and improvements	1,146,153	1,127,838
Furniture and fixtures	84,692	61,532
Equipment	320,533	281,212
	1,578,078	1,497,282
Less: accumulated depreciation	1,007,665	955,653
NET FIXED ASSETS	570,413	541,629
OTHER ASSETS		
Trust funds	4,496	6,263
TOTAL ASSETS	\$ 1,144,996	\$ 906,399
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 65,974	\$ 26,505
Accrued management fee	977,140	834,546
Other accrued expenses	162,376	150,492
Trust funds	4,496	6,263
TOTAL CURRENT LIABILITIES	1,209,986	1,017,806
NET ASSETS		
Invested in capital assets	570,413	541,629
Unrestricted (deficit)	(635,403)	(653,036)
TOTAL NET ASSETS (DEFICIT)	(64,990)	(111,407)
TOTAL LIABILITIES AND NET ASSETS	\$ 1,144,996	\$ 906,399

**PARK REST HARDIN COUNTY HEALTH CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Patient revenues	<u>\$ 2,546,781</u>	<u>\$ 2,526,268</u>
OPERATING EXPENSES		
Administrative	888,880	904,271
Dietary	241,876	235,466
Housekeeping	116,239	110,438
Laundry	119,691	120,000
Operation and maintenance	175,619	158,906
Nursing	856,367	875,255
Social service	50,859	45,513
Depreciation	52,012	45,781
TOTAL OPERATING EXPENSES	<u>2,501,543</u>	<u>2,495,630</u>
NET OPERATING INCOME (EXPENSE)	<u>45,238</u>	<u>30,638</u>
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	717	418
Other (net)	462	42
NONOPERATING REVENUE (EXPENSE) - NET	<u>1,179</u>	<u>460</u>
INCREASE (DECREASE) IN NET ASSETS	46,417	31,098
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>(111,407)</u>	<u>(142,505)</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u><u>\$ (64,990)</u></u>	<u><u>\$ (111,407)</u></u>

**PARK REST HARDIN COUNTY HEALTH CENTER
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2010 AND 2009**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from patient services	\$ 2,497,559	\$ 2,411,288
Payments to suppliers	(888,207)	(978,174)
Payments to employees	(1,377,716)	(1,349,421)
Other operating cash receipts	462	42
 CASH PROVIDED BY OPERATING ACTIVITIES	 232,098	 83,735
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(80,796)	(38,053)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	717	418
 NET CHANGE IN CASH	 152,019	 46,100
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 201,410	 155,310
 CASH AND CASH EQUIVALENTS - END OF YEAR	 \$ 353,429	 \$ 201,410
 RECONCILIATION OF OPERATING REVENUE TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 45,238	\$ 30,638
Adjustments to derive cash effect:		
Depreciation	52,012	45,781
Accounts receivable	(49,222)	(114,980)
Due from Hardin Home	-	278,123
Prepaid insurance	(10,339)	9,048
Accounts payable	39,469	(6,153)
Accrued management fee	142,594	(107,196)
Accrued expenses	11,884	(51,568)
Other revenue	462	42
 CASH PROVIDED BY OPERATING ACTIVITIES	 \$ 232,098	 \$ 83,735

**PARK REST HARDIN COUNTY HEALTH CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: GENERAL INFORMATION

General

Park Rest Hardin County Health Center (Park Rest) is a 62-bed intermediate care facility owned by Hardin County, Tennessee. Park Rest is located in Savannah, Tennessee, and began operations in 1986. Park Rest provides health care and services primarily to individuals in the Hardin County, Tennessee area who do not require the degree of care and treatment which a hospital or skilled nursing facility is designed to provide, but who, because of their mental or physical condition, require care and services which can be made available to them only through institutional facilities.

Fund Accounting

The accounts of Park Rest are organized on the basis of funds. The operations of funds are accounted for with a separate set of self-balancing accounts that comprise their assets, liabilities, fund equity, revenues, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Reporting Entity

Park Rest is a department of Hardin County, Tennessee. Park Rest is not a legally separate entity but the County Board of Commissioners is responsible for appointing each member of the nursing home committee, which oversees Park Rest's operations. In addition, nursing home revenues were the source of repayment for bonds issued to finance construction of the facility.

**PARK REST HARDIN COUNTY HEALTH CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements of Park Rest are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The following is a summary of the more significant accounting policies.

Inventory

Inventory is valued at the lower of cost (FIFO) or market, and consists entirely of supplies.

Property and Equipment

All fixed assets are stated at historical cost. Depreciation expense is calculated principally by the straight-line method to allocate the costs of depreciable assets over their estimated useful lives. Maintenance and repairs which do not materially extend their useful lives are charged to expense as incurred.

GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). Park Rest applies Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) Opinions, and Committee on Accounting Procedure (CAP) Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. GASB Statement Nos. 20 and 34 provide the option of electing to apply FASB pronouncements issued after November 30, 1989. Park Rest has elected not to apply those pronouncements.

Cash and cash equivalents

Cash and cash equivalents, as used in the Statement of Cash Flows, includes demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 9.

**PARK REST HARDIN COUNTY HEALTH CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

Operating revenues / expenses

Proprietary funds distinguish operating revenues from non-operating items. Operating revenues and expenses generally result from providing services in connection with the nursing home's principal ongoing operations. The principal operating revenues of Park Rest are charges for patient services. Operating expenses include salaries and wages of employees, administrative expenses, and depreciation on capital assets.

NOTE 3: RELATED PARTY TRANSACTIONS

During the year Hardin Home (a nursing home facility owned by the manager of Park Rest) provided Park Rest with laundry services. Hardin Home based the laundry charges on prevailing rates for laundry in the area. The total laundry charges for the year were \$120,000.

Park Rest prepared meals for residents of Hardin Home. The charges for the meals approximated Park Rest's actual costs of providing the meals. The dietary charges for the year totaled \$156,000.

Some employees work for both facilities and each facility is responsible for its share of applicable payroll expenses.

The County has contracted with the owner of Hardin Home to manage Park Rest. The management fee is seven percent of the gross revenues received by the facility from all sources and equaled \$178,594 in 2010.

Park Rest is responsible to pay the County a monthly administrative fee equal to one percent of gross revenues. For 2010, that fee equaled \$25,513.

NOTE 4: RISK MANAGEMENT

Park Rest is subject to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is carried for employees' bonds, personal and professional liability, and property destruction. There have been no significant reductions in insurance coverage. Settled claims have not exceeded insurance coverage for any of the past three fiscal years.

**PARK REST HARDIN COUNTY HEALTH CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5: CUSTODIAL CREDIT RISK - DEPOSITS

Park Rest's investment policies are governed by State statute. Included in permissible investments are direct obligations of the U.S. Government and agency securities, certificates of deposit and savings accounts.

For deposits, custodial credit risk is the risk that, in the event of a bank failure, deposits may not be returned. Park Rest does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions.

As of June 30, 2010, \$105,717 of the bank balances of \$354,081 was exposed to custodial credit risk due to being in excess of federal depository insurance.

NOTE 6: CONCENTRATIONS OF CREDIT RISK

Approximately 92% of the patients in Park Rest participate in the Medicaid program. As a result, a portion of their care is paid for by the State of Tennessee. Approximately 84% of the accounts receivable balance at June 30, 2010, was due from the State of Tennessee under the Medicaid program.

NOTE 7: COMPENSATED ABSENCES

Park Rest does not grant sick days as such. If an employee is off sick, he will not be paid for that time. However, for any month an employee does not miss a day for being off sick, he will accumulate four hours pay. After the employee has completed one year's service, the facility will pay for all accumulated sick pay hours.

Each employee is entitled to one week of vacation after one year of employment. If an employee is laid off, he will receive accumulated vacation pay, but if he is terminated, he will not.

Accrued sick pay was not considered material and, accordingly, no liability is included in the financial statements for it.

**PARK REST HARDIN COUNTY HEALTH CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8: TRUST FUNDS

Trust funds, as used in the Statement of Net Assets, represents patients' funds held by the nursing home in trust for the patients and can only be used upon the patients' approval.

NOTE 9: CAPITAL ASSETS

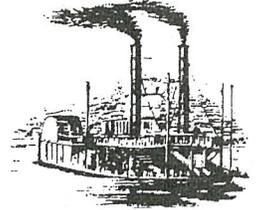
Capital asset activity for the year ended June 30, 2010, was as follows:

	<u>Balance 7/1/2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2010</u>
Capital assets not being depreciated:				
Land	\$ 26,700	\$ -	\$ -	\$ 26,700
Capital assets being depreciated:				
Buildings and improvements	1,127,838	18,315	-	1,146,153
Furniture and fixtures	61,532	23,160	-	84,692
Equipment	281,212	39,321	-	320,533
Total capital assets being depreciated	<u>1,470,582</u>	<u>80,796</u>	<u>-</u>	<u>1,551,378</u>
Less accumulated depreciation for:				
Buildings and improvements	(678,509)	(30,929)	-	(709,438)
Furniture and fixtures	(46,085)	(3,453)	-	(49,538)
Equipment	(231,059)	(17,630)	-	(248,689)
Total accumulated depreciation	<u>(955,653)</u>	<u>(52,012)</u>	<u>-</u>	<u>(1,007,665)</u>
Total capital assets being depreciated, net	<u>514,929</u>	<u>28,784</u>	<u>-</u>	<u>543,713</u>
Total capital assets, net	<u>\$ 541,629</u>	<u>\$ 28,784</u>	<u>\$ -</u>	<u>\$ 570,413</u>

Fully depreciated assets at June 30, 2010, amounted to \$307,044.

NOTE 10 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

As of June 30, 2010, \$105,717 of the bank balances of \$354,081 was exposed to custodial credit risk due to being in excess of federal depository insurance.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Park Rest Hardin County Health Center
Savannah, Tennessee

Our report on our audit of the basic financial statements of Park Rest Hardin County Health Center for the years ended June 30, 2010 and 2009, appears on page 3. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information (pages 13 – 15) is presented for additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williams, Jerrold, Godwin & Nichols, PLLC

September 1, 2010

**PARK REST HARDIN COUNTY HEALTH CENTER
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2010 AND 2009**

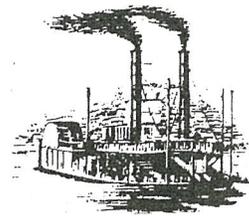
	<u>2010</u>	<u>2009</u>
ADMINISTRATIVE		
Salaries	\$ 170,190	\$ 157,666
Payroll taxes	103,123	101,236
Office supplies	30,311	24,746
Telephone	16,641	14,749
Nursing home license fee	139,150	137,950
Employee benefits	99,148	92,907
Insurance	104,222	150,632
Travel and conventions	2,133	2,252
Administrative fee	25,513	25,263
Management fee	178,594	176,839
Professional fees	14,379	14,044
Dues and subscriptions	5,476	5,987
TOTAL ADMINISTRATIVE	<u>888,880</u>	<u>904,271</u>
DIETARY		
Salaries	196,759	193,907
Consultants	5,280	4,930
Food	173,949	176,742
Supplies	21,888	15,887
Reimbursements received	(156,000)	(156,000)
TOTAL DIETARY	<u>241,876</u>	<u>235,466</u>
HOUSEKEEPING		
Salaries	105,024	101,094
Supplies	11,215	9,344
TOTAL HOUSEKEEPING	<u>116,239</u>	<u>110,438</u>
LAUNDRY		
Services and supplies	119,691	120,000
TOTAL LAUNDRY	<u>119,691</u>	<u>120,000</u>

**PARK REST HARDIN COUNTY HEALTH CENTER
SCHEDULES OF OPERATING EXPENSES (continued)
YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
OPERATION AND MAINTENANCE		
Salaries	\$ 75,548	\$ 49,016
Repairs	22,435	29,575
Utilities	77,636	80,315
TOTAL OPERATION AND MAINTENANCE	175,619	158,906
 NURSING SERVICE		
Salaries	780,962	802,299
Medicine and supplies	53,141	50,456
Consultants	22,264	22,500
TOTAL NURSING SERVICE	856,367	875,255
 SOCIAL SERVICES		
Salaries	49,233	45,439
Supplies	1,626	74
TOTAL SOCIAL SERVICES	50,859	45,513
 DEPRECIATION		
Buildings	28,817	29,264
Improvements other than buildings	2,112	2,112
Furniture and fixtures	3,453	2,806
Equipment	17,630	11,599
TOTAL DEPRECIATION	52,012	45,781
 TOTAL OPERATING EXPENSES	\$ 2,501,543	\$ 2,495,630

PARK REST HARDIN COUNTY HEALTH CENTER
 SCHEDULE OF CHANGES IN FIXED ASSETS
 JUNE 30, 2010

	Cost				Accumulated Depreciation				
	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 26,700	\$ -	\$ -	\$ -	\$ 26,700	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Buildings and improvements	1,127,838	18,315	-	-	1,146,153	678,509	30,929	-	709,438
Furniture and fixtures	61,532	23,160	-	-	84,692	46,085	3,453	-	49,538
Equipment	281,212	39,321	-	-	320,533	231,059	17,630	-	248,689
TOTALS	\$ 1,497,282	\$ 80,796	\$ -	\$ -	\$ 1,578,078	\$ 955,653	\$ 52,012	\$ -	\$ 1,007,665



**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**

Park Rest Hardin County Health Center
Savannah, Tennessee

We have audited the financial statements of Park Rest Hardin County Health Center (Park Rest), a department of Hardin County, Tennessee, as of and for the year ended June 30, 2010, and have issued our report thereon dated September 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Park Rest's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Park Rest's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Park Rest's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness.

2010 – 01 FINANCIAL STATEMENTS MATERIALLY MISSTATED

The unadjusted financial statements were materially misstated because prepaid insurance was understated and accounts payable was overstated. An adjustment was subsequently made to correct the balance of these accounts in the financial statements.

RECOMMENDATION: Account balances should be analyzed each month to ensure that accounts are properly stated.

MANAGEMENT'S RESPONSE:

Insurance account will be adjusted at the end of the year.

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 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 deficiency described above to be a material weakness.

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 below to be a significant deficiency.

2010 – 02 DISBURSEMENTS LACKED PROPER SUPPORT

Several disbursements were supported by statements instead of invoices.

RECOMMENDATION: Proper support should be obtained and retained before disbursements are issued.

MANAGEMENT'S RESPONSE:

Greater care will be exercised to retain support for disbursements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Park Rest's 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described below.

2010-03 UNCOLLATERALIZED BANK DEPOSITS

Bank balances were not fully insured or collateralized during the year and at year end. State law requires that deposits in excess of the amount insured by FDIC be collateralized with securities pledged by the bank.

RECOMMENDATION: Monitor bank balances and request the bank to pledge collateral as needed.

MANAGEMENT'S RESPONSE: Balances will be monitored more closely in the future.

DISPOSITION OF PRIOR YEAR FINDINGS

None.

Park Rest's responses to the findings identified in our audit are described above. We did not audit Park Rest's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, County board of commissioners, and the State of Tennessee Comptroller's office and is not intended to be and should not be used by anyone other than these specified parties.

William, Jenolds, Godwin & Nulish, PLLC

September 1, 2010