

**PARK REST
HARDIN COUNTY HEALTH CENTER**

ANNUAL FINANCIAL REPORT

JUNE 30,2011

**PARK REST HARDIN COUNTY HEALTH CENTER
 SAVANNAH, TENNESSEE
 INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
 JUNE 30, 2011**

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**PARK REST HARDIN COUNTY HEALTH CENTER
ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS
JUNE 30, 2011**

COUNTY COMMISSION

*Gary Combs	Fred McFalls, Jr.
Adam Coleman	Darren Howard
*David Childers	Roger L. Jenkins
Vicky Cotner	Charles Holloway
*David Channell	Jimmy Grisham
Boyce Bain	*Nickie L. Cagle
Mike Jerrolds	Jonas Morris
*Wally Hamilton	Thomas Smith
Larry Byrd	*Emery White
James S. Berry, Jr.	*Mike Fowler

MANAGEMENT OFFICIALS

Jo Park	Manager
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*Member of nursing home committee

**PARK REST HARDIN COUNTY HEALTH CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Our discussion and analysis of Park Rest Hardin County Health Center's (Park Rest) financial performance will offer readers of Park Rest's financial statements a narrative overview and review of the financial activities of Park Rest for the fiscal year ended June 30, 2011. Readers are encouraged to consider the information presented here in conjunction with Park Rest's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets (on pages 6 through 7) provide information about the activities of Park Rest's finances.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in Park Rest's financial statements. The notes to the financial statements can be found on pages 9 - 13.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. Supplemental information concerning Park Rest provides schedules detailing operating expenses and the changes in capital assets. This other supplemental information can be found on pages 14 – 16 of this report.

Comparative Data

Statement of Net Assets

	<u>June 30, 2011</u>	<u>Percent of Total</u>	<u>June 30, 2010</u>	<u>Percent of Total</u>
Current and other assets	\$ 465,212	47.14%	\$ 574,583	50.18%
Capital assets	521,621	52.86%	570,413	49.82%
Total assets	<u>986,833</u>	<u>100.00%</u>	<u>1,144,996</u>	<u>100.00%</u>
Current liabilities	<u>1,018,938</u>	<u>100.00%</u>	<u>1,209,986</u>	<u>100.00%</u>
Total liabilities	<u>1,018,938</u>	<u>100.00%</u>	<u>1,209,986</u>	<u>100.00%</u>
Net assets				
Invested in capital assets	521,621	-1624.73%	570,413	-877.69%
Unrestricted (deficit)	(553,726)	1724.73%	(635,403)	977.69%
Total net assets (deficit)	<u>\$ (32,105)</u>	<u>100.00%</u>	<u>\$ (64,990)</u>	<u>100.00%</u>

**PARK REST HARDIN COUNTY HEALTH CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

The changes in Park Rest's net assets are described below:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Revenues		
Operating revenues	<u>\$ 2,681,638</u>	<u>\$ 2,546,781</u>
Expenses		
Operating expenses	<u>2,649,292</u>	<u>2,501,543</u>
Operating income (loss)	32,346	45,238
Nonoperating revenue (expenses)	<u>539</u>	<u>1,179</u>
Change in net assets	32,885	46,417
Net assets - beginning of year	<u>(64,990)</u>	<u>(111,407)</u>
Net assets - end of year	<u><u>\$ (32,105)</u></u>	<u><u>\$ (64,990)</u></u>

Park Rest had a profit of \$32,885, which is comparable to the prior year profit of \$46,417.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2011, Park Rest had \$521,621 invested in capital assets, including land, buildings and improvements, furniture and fixtures, and equipment. Capital assets (before accumulated depreciation) increased in the current year by \$5,549. Accumulated depreciation increased by \$54,341 (current year depreciation). Additional information on capital assets is in Note 9.

Debt

At year-end, Park Rest had no debt. However, Park Rest is a department of Hardin County, Tennessee. Nursing home revenues were the source of repayment for bonds issued to finance construction of the facility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

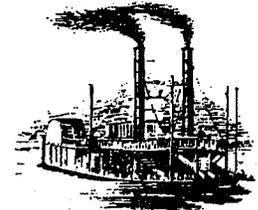
This financial report is designed to provide our citizens, investors and creditors with a general overview of Park Rest's finances and to show its accountability for the money it receives. If you have any questions about this report or need additional information, contact Park Rest at 85 Shelby Drive, Savannah, Tennessee.

Jo Park
Director

WILLIAMS, JERROLD, GODWIN & ASSOCIATES, PLLC
Certified Public Accountants

408 Main Street, Savannah, Tennessee 38372

Phone (731) 925-6547 Fax (731) 925-9524



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, 2011 and 2010, 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 opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinions.

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 positions of Hardin County, Tennessee, as of June 30, 2011 and 2010, and the changes in its financial positions, 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 opinions, the financial statements referred to above present fairly, in all material respects, the financial positions of Park Rest Hardin County Health Center as of June 30, 2011 and 2010, 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 October 21, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Park Rest Hardin County Health Center's financial statements as a whole. The introductory section and supplemental information sections are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and supplemental information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Williams, Jerrold, Godwin & Associates, PLLC

October 21, 2011

Member: American Institute of Certified Public Accountants • Tennessee Society of Certified Public Accountants
Institute of Management Accountants • Association of Government Accountants

**PARK REST HARDIN COUNTY HEALTH CENTER
STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010**

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash	\$ 268,958	\$ 353,429
Accounts receivable, net of allowance for doubtful accounts of \$29,458 (29,458 in 2010)	164,667	185,360
Inventory	5,202	5,202
Prepaid expenses	22,509	26,096
TOTAL CURRENT ASSETS	461,336	570,087
CAPITAL ASSETS		
Land	26,700	26,700
Building and improvements	1,148,001	1,146,153
Furniture and fixtures	85,517	84,692
Equipment	323,409	320,533
	1,583,627	1,578,078
Less: accumulated depreciation	1,062,006	1,007,665
NET CAPITAL ASSETS	521,621	570,413
OTHER ASSETS		
Trust funds	3,876	4,496
TOTAL ASSETS	\$ 986,833	\$ 1,144,996
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 28,379	\$ 65,974
Accrued management fee	826,855	977,140
Other accrued expenses	159,828	162,376
Trust funds	3,876	4,496
TOTAL CURRENT LIABILITIES	1,018,938	1,209,986
NET ASSETS		
Invested in capital assets	521,621	570,413
Unrestricted (deficit)	(553,726)	(635,403)
TOTAL NET ASSETS (DEFICIT)	(32,105)	(64,990)
TOTAL LIABILITIES AND NET ASSETS	\$ 986,833	\$ 1,144,996

**PARK REST HARDIN COUNTY HEALTH CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Patient revenues	\$ 2,681,638	\$ 2,546,781
OPERATING EXPENSES		
Administrative	952,701	888,880
Dietary	271,750	241,876
Housekeeping	117,307	116,239
Laundry	120,000	119,691
Operation and maintenance	175,713	175,619
Nursing	903,787	856,367
Social service	53,693	50,859
Depreciation	54,341	52,012
TOTAL OPERATING EXPENSES	<u>2,649,292</u>	<u>2,501,543</u>
NET OPERATING INCOME (EXPENSE)	<u>32,346</u>	<u>45,238</u>
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	539	717
Other (net)	-	462
NONOPERATING REVENUE (EXPENSE) - NET	<u>539</u>	<u>1,179</u>
INCREASE (DECREASE) IN NET ASSETS	32,885	46,417
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>(64,990)</u>	<u>(111,407)</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (32,105)</u>	<u>\$ (64,990)</u>

**PARK REST HARDIN COUNTY HEALTH CENTER
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from patient services	\$ 2,702,331	\$ 2,497,559
Payments to suppliers	(1,104,449)	(888,207)
Payments to employees	(1,677,343)	(1,377,716)
Other operating cash receipts	-	462
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(79,461)	232,098
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(5,549)	(80,796)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	539	717
NET CHANGE IN CASH	(84,471)	152,019
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	353,429	201,410
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 268,958	\$ 353,429
RECONCILIATION OF OPERATING REVENUE TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 32,346	\$ 45,238
Adjustments to derive cash effect:		
Depreciation	54,341	52,012
Accounts receivable	20,693	(49,222)
Prepaid insurance	3,587	(10,339)
Accounts payable	(37,595)	39,469
Accrued management fee	(150,285)	142,594
Accrued expenses	(2,548)	11,884
Other revenue	-	462
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (79,461)	\$ 232,098

**PARK REST HARDIN COUNTY HEALTH CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011

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 capital 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, 2011**

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 \$187,715 in 2011.

Park Rest is responsible to pay the County a monthly administrative fee equal to one percent of gross revenues. For 2011, that fee equaled \$26,816.

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, 2011**

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, 2011, Park Rest's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by federal depository insurance.

NOTE 6: CONCENTRATIONS OF CREDIT RISK

Approximately 95% 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 88% of the accounts receivable balance at June 30, 2011, was due from the State of Tennessee under the Medicaid program.

NOTE 7: COMPENSATED ABSENCES

Each employee earns one week of vacation after one year of employment and two weeks of vacation after ten years of employment. An employee is paid for accrued vacation only if the employee is laid off. Unused accrued vacation is forfeited by the employee at the end of each calendar year.

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.

**PARK REST HARDIN COUNTY HEALTH CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Balance 7/1/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2011</u>
Capital assets not being depreciated:				
Land	\$ 26,700	\$ -	\$ -	\$ 26,700
Capital assets being depreciated:				
Buildings and improvements	1,146,153	1,848	-	1,148,001
Furniture and fixtures	84,692	825	-	85,517
Equipment	320,533	2,876	-	323,409
Total capital assets being depreciated	<u>1,551,378</u>	<u>5,549</u>	<u>-</u>	<u>1,556,927</u>
Less accumulated depreciation for:				
Buildings and improvements	(709,438)	(30,819)	-	(740,257)
Furniture and fixtures	(49,538)	(4,059)	-	(53,597)
Equipment	(248,689)	(19,463)	-	(268,152)
Total accumulated depreciation	<u>(1,007,665)</u>	<u>(54,341)</u>	<u>-</u>	<u>(1,062,006)</u>
Total capital assets being depreciated, net	<u>543,713</u>	<u>(48,792)</u>	<u>-</u>	<u>494,921</u>
Total capital assets, net	<u>\$ 570,413</u>	<u>\$ (48,792)</u>	<u>\$ -</u>	<u>\$ 521,621</u>

Fully depreciated assets at June 30, 2011, amounted to \$344,316.

NOTE 10: ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PARK REST HARDIN COUNTY HEALTH CENTER
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
ADMINISTRATIVE		
Salaries	\$ 174,238	\$ 170,190
Payroll taxes	113,051	103,123
Office supplies	39,842	30,311
Telephone	15,242	16,641
Nursing home license fee	137,950	139,150
Employee benefits	112,764	99,148
Insurance	114,100	104,222
Travel and conventions	3,037	2,133
Administrative fee	26,816	25,513
Management fee	187,715	178,594
Professional fees	22,874	14,379
Dues and subscriptions	5,072	5,476
TOTAL ADMINISTRATIVE	<u>952,701</u>	<u>888,880</u>
DIETARY		
Salaries	215,670	196,759
Consultants	5,280	5,280
Food	183,325	173,949
Supplies	23,475	21,888
Reimbursements received	(156,000)	(156,000)
TOTAL DIETARY	<u>271,750</u>	<u>241,876</u>
HOUSEKEEPING		
Salaries	106,682	105,024
Supplies	10,625	11,215
TOTAL HOUSEKEEPING	<u>117,307</u>	<u>116,239</u>
LAUNDRY		
Services and supplies	120,000	119,691
TOTAL LAUNDRY	<u>120,000</u>	<u>119,691</u>

**PARK REST HARDIN COUNTY HEALTH CENTER
SCHEDULES OF OPERATING EXPENSES (continued)
YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
OPERATION AND MAINTENANCE		
Salaries	\$ 75,892	\$ 75,548
Repairs	17,762	22,435
Utilities	82,059	77,636
TOTAL OPERATION AND MAINTENANCE	<u>175,713</u>	<u>175,619</u>
 NURSING SERVICE		
Salaries	826,889	780,962
Medicine and supplies	57,686	53,141
Consultants	19,212	22,264
TOTAL NURSING SERVICE	<u>903,787</u>	<u>856,367</u>
 SOCIAL SERVICES		
Salaries	52,157	49,233
Supplies	1,536	1,626
TOTAL SOCIAL SERVICES	<u>53,693</u>	<u>50,859</u>
 DEPRECIATION		
Buildings	28,707	28,817
Improvements other than buildings	2,112	2,112
Furniture and fixtures	4,059	3,453
Equipment	19,463	17,630
TOTAL DEPRECIATION	<u>54,341</u>	<u>52,012</u>
 TOTAL OPERATING EXPENSES	<u><u>\$ 2,649,292</u></u>	<u><u>\$ 2,501,543</u></u>

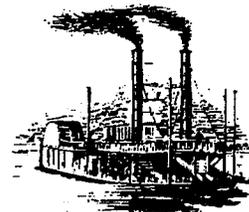
PARK REST HARDIN COUNTY HEALTH CENTER
 SCHEDULE OF CHANGES IN CAPITAL ASSETS
 JUNE 30, 2011

	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	1,146,153	1,848	-	-	1,148,001	709,438	30,819	-	740,257
Furniture and fixtures	84,692	825	-	-	85,517	49,538	4,059	-	53,597
Equipment	320,533	2,876	-	-	323,409	248,689	19,463	-	268,152
TOTALS	\$ 1,578,078	\$ 5,549	\$ -	\$ -	\$ 1,583,627	\$ 1,007,665	\$ 54,341	\$ -	\$ 1,062,006

WILLIAMS, JERROLD, GODWIN & ASSOCIATES, PLLC
Certified Public Accountants

408 Main Street, Savannah, Tennessee 38372

Phone (731) 925-6547 Fax (731) 925-9524



**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 years ended June 30, 2011 and 2010, and have issued our report thereon dated October 21, 2011. 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.

2011 – 01 GENERAL LEDGER MATERIALLY MISSTATED BEFORE ADJUSTMENTS

The client's general ledger was materially misstated because personnel did not adjust accounts payable at year-end. Also, insurance payments were misclassified resulting in an understatement of prepaid insurance. Therefore, material adjustments were required for the financial statements to be materially correct at year-end.

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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

DISPOSITION OF PRIOR YEAR FINDINGS

2010 – 02 DISBURSEMENTS LACKED PROPER SUPPORT—corrected.

2010 – 03 UNCOLLATERALIZED BANK DEPOSITS—corrected.

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, Jerald, Godwin Associates, PLLC

October 21, 2011