

**PARK REST
HARDIN COUNTY HEALTH CENTER**

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

**PARK REST HARDIN COUNTY HEALTH CENTER
SAVANNAH, TENNESSEE
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2013**

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**PARK REST HARDIN COUNTY HEALTH CENTER
ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS
JUNE 30, 2013**

Kevin Davis, County Mayor

COUNTY COMMISSION

*Gary Combs

Adam Coleman

*David Childers

Vicky Cotner

*David Channell

Boyce Bain

Mike Jerrolds

*Wally Hamilton

Larry Byrd

James S. Berry, Jr.

Fred McFalls, Jr.

Darren Howard

Roger L. Jenkins

Charles Holloway

Jimmy Grisham

*Nickie L. Cagle

Jonas Morris

Thomas Smith

*Emery White

*Mike Fowler

MANAGEMENT OFFICIALS

Denise Phillips

Manager

*Member of nursing home committee



Independent Auditors' Report

Park Rest Hardin County Health Center
Savannah, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Park Rest Hardin County Health Center, a department of Hardin County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, as shown on pages 10 – 15.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities for Park Rest Hardin County Health Center as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of Park Rest Hardin County Health Center are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities 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, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 11, Park Rest Hardin County Health Center has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Park Rest Hardin County Health Center early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our 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. The introductory and supplemental information sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or 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 taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013, 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* in considering Park Rest Hardin County Health Center's internal control over financial reporting and compliance.



November 5, 2013

**PARK REST HARDIN COUNTY HEALTH CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013. 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 Position and the Statement of Revenues, Expenses and Changes in Net Position (on pages 7 through 8) 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 10 - 15.

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 16 – 17 of this report.

Comparative Data

Statement of Net Position

	<u>June 30, 2013</u>	<u>Percent of Total</u>	<u>June 30, 2012</u>	<u>Percent of Total</u>
Current and other assets	\$ 1,020,703	69.31%	\$ 992,687	67.07%
Capital assets	451,988	30.69%	487,479	32.93%
Total assets	<u>1,472,691</u>	<u>100.00%</u>	<u>1,480,166</u>	<u>100.00%</u>
Current liabilities	1,070,398	100.00%	995,404	100.00%
Total liabilities	<u>1,070,398</u>	<u>100.00%</u>	<u>995,404</u>	<u>100.00%</u>
Net position				
Investment in capital assets	451,988	112.35%	487,479	100.56%
Unrestricted (deficit)	(49,695)	-12.35%	(2,717)	-0.56%
Total net position (deficit)	<u>\$ 402,293</u>	<u>100.00%</u>	<u>\$ 484,762</u>	<u>100.00%</u>

**PARK REST HARDIN COUNTY HEALTH CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Revenues		
Operating revenues	\$ 2,667,401	\$ 2,723,773
Expenses		
Operating expenses	2,750,565	2,646,260
Operating income (loss)	(83,164)	77,513
Nonoperating revenue (expenses)	695	1,581
Change in net position	(82,469)	79,094
Net position (deficit) - beginning, as originally stated	484,762	(32,105)
Prior period adjustment	-	437,773
Net position - beginning, as restated	484,762	405,668
Net position - end of year	<u>\$ 402,293</u>	<u>\$ 484,762</u>

Park Rest had a loss of \$83,164 in the current year, compared to the prior year profit of \$77,513. The current year loss was due to increased operating expenses as well as a decrease in operating revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2013, Park Rest had \$451,988 invested in capital assets (net of depreciation), including land, buildings and improvements, furniture and fixtures, and equipment. Capital assets (before accumulated depreciation) increased in the current year by \$18,471. Accumulated depreciation increased by \$53,962 (current year depreciation). Additional information on capital assets is in Note 9.

Debt

At year-end, Park Rest had no long-term debt.

CONTACTING PARK REST'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.

Denise Phillips
Manager

**PARK REST HARDIN COUNTY HEALTH CENTER
STATEMENT OF NET POSITION
JUNE 30, 2013**

ASSETS

CURRENT ASSETS	
Cash	\$ 277,443
Accounts receivable, net of allowance for doubtful accounts of \$29,458 (29,458 in 2012)	153,785
Due from Hardin Home	556,907
Inventory	5,202
Prepaid expenses	19,928
TOTAL CURRENT ASSETS	1,013,265
 CAPITAL ASSETS	
Land	26,700
Building and improvements	1,148,001
Furniture and fixtures	85,517
Equipment	360,240
	1,620,458
Less: accumulated depreciation	1,168,470
NET CAPITAL ASSETS	451,988
 OTHER ASSETS	
Trust funds	7,438
	7,438
TOTAL ASSETS	1,472,691

LIABILITIES

CURRENT LIABILITIES	
Accounts payable	24,970
Accrued management fee	897,146
Other accrued expenses	140,844
Trust funds	7,438
TOTAL CURRENT LIABILITIES	1,070,398

NET POSITION

Investment in capital assets	451,988
Unrestricted (deficit)	(49,695)
TOTAL NET POSITION	\$ 402,293

**PARK REST HARDIN COUNTY HEALTH CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2013**

OPERATING REVENUES

Patient revenues	<u>\$ 2,667,401</u>
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OPERATING EXPENSES

Administrative	957,338
Dietary	288,992
Housekeeping	126,252
Laundry	118,817
Operation and maintenance	189,573
Nursing	956,575
Social service	59,056
Depreciation	<u>53,962</u>
TOTAL OPERATING EXPENSES	<u>2,750,565</u>

NET OPERATING INCOME (LOSS)	<u>(83,164)</u>
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NONOPERATING REVENUES (EXPENSES)

Interest revenue	321
Other (net)	374
NONOPERATING REVENUE (EXPENSE) - NET	<u>695</u>

CHANGE IN NET POSITION	(82,469)
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NET POSITION (DEFICIT) - BEGINNING	<u>484,762</u>
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NET POSITION - ENDING	<u><u>\$ 402,293</u></u>
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**PARK REST HARDIN COUNTY HEALTH CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from patient services	\$ 2,694,135
Payments to suppliers	(904,251)
Payments to employees	(1,777,015)
Other operating cash receipts	<u>374</u>

CASH PROVIDED BY OPERATING ACTIVITIES 13,243

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	<u>(18,471)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>321</u>
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NET DECREASE IN CASH (4,907)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 282,350

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 277,443

**RECONCILIATION OF OPERATING REVENUE TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (83,164)
Adjustments to derive cash effect:	
Depreciation	53,962
Accounts receivable	26,734
Due from Hardin Home	(56,229)
Prepaid insurance	(3,795)
Accounts payable	(10,067)
Accrued management fee	84,761
Accrued expenses	667
Other revenue	<u>374</u>

CASH PROVIDED BY OPERATING ACTIVITIES \$ 13,243

**PARK REST HARDIN COUNTY HEALTH CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1: GENERAL INFORMATION

A. 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.

B. 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accounts of Park Rest are organized on the basis of funds. 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. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. 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.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**PARK REST HARDIN COUNTY HEALTH CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

Park Rest's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash and Cash Equivalents

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

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include telephone wireless fees due from phone companies, wireless charges due from the State of Tennessee, and grant receivables due from the Tennessee Emergency Communications Board.

Inventory

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

Capital Assets

All capital assets of Park Rest are recorded at historical cost, except for donated equipment which is recorded at fair market value. Expenses which materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred.

Gains and losses from the sale of capital assets are reflected in operations and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as non-operating.

**PARK REST HARDIN COUNTY HEALTH CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Park Rest does not have any items that qualify for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Park Rest does not have any items that qualify for reporting in this category as of June 30, 2013.

Net Position Flow Assumption

Sometimes Park Rest will fund outlays for a particular purpose from both restricted (e. g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is Park Rest's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net Position

In Park Rest's financial statements, equity is classified as net position and displayed in three components:

- a. Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of restricted or investment in capital assets.

**PARK REST HARDIN COUNTY HEALTH CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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. The charges for the laundry services approximated Hardin Home's actual costs of providing the services. The total laundry charges for the year were \$118,817.

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 \$182,502.

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 \$192,217 in 2013.

Park Rest is responsible to pay the County a monthly administrative fee equal to one percent of gross revenues. For 2013, that fee equaled \$27,460.

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.

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, 2013, Park Rest's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by federal depository insurance.

**PARK REST HARDIN COUNTY HEALTH CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6: CONCENTRATIONS OF CREDIT RISK

Approximately 94% 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 87% of the accounts receivable balance at June 30, 2013, 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 Position, 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, 2013, was as follows:

	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
Capital assets not being depreciated:				
Land	\$ 26,700	\$ -	\$ -	\$ 26,700
Capital assets being depreciated:				
Buildings and improvements	1,148,001	-	-	1,148,001
Furniture and fixtures	85,517	-	-	85,517
Equipment	341,769	18,471	-	360,240
Total capital assets being depreciated	<u>1,575,287</u>	<u>18,471</u>	<u>-</u>	<u>1,593,758</u>
Less accumulated depreciation for:				
Buildings and improvements	(768,955)	(28,456)	-	(797,411)
Furniture and fixtures	(57,227)	(3,630)	-	(60,857)
Equipment	(288,326)	(21,876)	-	(310,202)
Total accumulated depreciation	<u>(1,114,508)</u>	<u>(53,962)</u>	<u>-</u>	<u>(1,168,470)</u>
Total capital assets being depreciated, net	<u>460,779</u>	<u>(35,491)</u>	<u>-</u>	<u>425,288</u>
Total capital assets, net	<u>\$ 487,479</u>	<u>\$ (35,491)</u>	<u>\$ -</u>	<u>\$ 451,988</u>

Fully depreciated assets at June 30, 2013, amounted to \$369,665.

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
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 11: ACCOUNTING CHANGES

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. The District early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organization for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**PARK REST HARDIN COUNTY HEALTH CENTER
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2013**

ADMINISTRATIVE

Salaries	\$ 175,656
Payroll taxes	115,177
Office supplies	37,128
Telephone	21,243
Nursing home license fee	137,950
Employee benefits	121,896
Insurance	106,192
Travel and conventions	2,497
Administrative fee	27,460
Management fee	192,217
Professional fees	14,660
Dues and subscriptions	5,262
TOTAL ADMINISTRATIVE	<u>957,338</u>

DIETARY

Salaries	236,697
Consultants	5,280
Food	204,993
Supplies	24,524
Reimbursements received	(182,502)
TOTAL DIETARY	<u>288,992</u>

HOUSEKEEPING

Salaries	115,591
Supplies	10,661
TOTAL HOUSEKEEPING	<u>126,252</u>

LAUNDRY

Services and supplies	118,817
TOTAL LAUNDRY	<u>118,817</u>

**PARK REST HARDIN COUNTY HEALTH CENTER
SCHEDULES OF OPERATING EXPENSES (continued)
YEAR ENDED JUNE 30, 2013**

OPERATION AND MAINTENANCE

Salaries	\$ 74,847
Repairs	30,906
Utilities	83,820
TOTAL OPERATION AND MAINTENANCE	<u>189,573</u>

NURSING SERVICE

Salaries	879,835
Medicine and supplies	58,740
Consultants	18,000
TOTAL NURSING SERVICE	<u>956,575</u>

SOCIAL SERVICES

Salaries	57,316
Supplies	1,740
TOTAL SOCIAL SERVICES	<u>59,056</u>

DEPRECIATION

Buildings	24,977
Improvements other than buildings	3,479
Furniture and fixtures	3,630
Equipment	21,876
TOTAL DEPRECIATION	<u>53,962</u>

TOTAL OPERATING EXPENSES	<u><u>\$ 2,750,565</u></u>
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Park Rest Hardin County Health Center
Savannah, 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, 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, 2013, and the related notes to the financial statements, which comprise Park Rest's financial statements and have issued our report thereon dated November 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Park Rest's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Park Rest's internal control. Accordingly, we do not express an opinion on the effectiveness of Park Rest's internal control.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

2013 – 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. 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: We will strive to ensure that accounts payable are properly stated in the future.

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*.

Park Rest's Response to Findings

Park Rest's response to the finding identified in our audit is described above. Park Rest's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not provide an opinion on the effectiveness of Park Rest's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Park Rest's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DISPOSITION OF PRIOR YEAR FINDINGS

2012 – 02 Related party transactions without contract—Corrected.

2012 – 03 Disbursements lacked proper support—Corrected.

2012 – 04 Employee Christmas bonuses not taxed—Corrected.

Hodwin & Associates, PLLC

November 5, 2013