

**PARK REST
HARDIN COUNTY HEALTH CENTER**

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

**PARK REST HARDIN COUNTY HEALTH CENTER
SAVANNAH, TENNESSEE
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2014**

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**PARK REST HARDIN COUNTY HEALTH CENTER
ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS
JUNE 30, 2014**

COUNTY MAYOR

Kevin Davis

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

Denise Phillips	Manager
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*Member of nursing home committee



Independent Auditor's 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, 2014, and the related notes to the financial statements, as listed in the table of contents.

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 of Park Rest Hardin County Health Center as of June 30, 2014, and the 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, 2014, 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.

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 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 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 7, 2014, 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 7, 2014



PARK REST HARDIN COUNTY HEALTH CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

As management of Park Rest Hardin County Health Center (Park Rest), we offer readers of Park Rest's financial statements a narrative overview and analysis of the financial activities of Park Rest for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with Park Rest's financial statements.

Financial Highlights

- The assets of Park Rest exceeded its liabilities at the close of the most recent fiscal year by \$55,666 (*net position*).
- Capital assets increased by \$6,316 due to purchases of equipment.
- Net position decreased \$346,627 or 86.16%.
- Operating revenues were \$2,340,934, a decrease of \$326,467 from the prior year of \$2,667,401 or 12.24%.
- Operating expenses were \$2,687,641, a decrease of \$62,924 from the prior year of \$2,750,565 or 2.29%.
- The operating income (loss) for the year was \$(346,627) compared to a prior year loss of \$(82,469).

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Park Rest's basic financial statements. The Park Rest's basic financial statements consist of four sections: 1) introductory section, 2) financial section, 3) supplemental information section, and (4) compliance and internal control section. The introductory section includes table of contents and the roster of Board of Directors. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes. The supplemental information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance.

Proprietary Funds. A proprietary fund is used to account for the operations of Park Rest, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about Park Rest, using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *statement of net position* presents the financial position of Park Rest on a full accrual, historical cost basis. The statement of net position includes all of Park Rest's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position.

The *statement of revenues, expenses and changes in net position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of Park Rest's operations and can be used to determine whether Park Rest has successfully recovered all of its costs.

The *statement of cash flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *notes to the financial statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about Park Rest's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

The *supplementary schedule* of a schedule of detailed expenses are also presented as supplementary information.

Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of Park Rest's financial position. In the case of Park Rest, assets exceeded liabilities by \$55,666 at the close of the most recent fiscal year.

**PARK REST HARDIN COUNTY HEALTH CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Statement of Net Position

	<u>June 30, 2014</u>	<u>Percent of Total</u>	<u>June 30, 2013</u>	<u>Percent of Total</u>
Current and other assets	\$ 878,244	68.56%	\$ 1,020,703	69.31%
Capital assets	402,681	31.44%	451,988	30.69%
Total assets	<u>1,280,925</u>	<u>100.00%</u>	<u>1,472,691</u>	<u>100.00%</u>
Current liabilities	<u>1,225,259</u>	<u>100.00%</u>	<u>1,070,398</u>	<u>100.00%</u>
Total liabilities	<u>1,225,259</u>	<u>100.00%</u>	<u>1,070,398</u>	<u>100.00%</u>
Net position				
Investment in capital assets	402,681	723.39%	451,988	112.35%
Unrestricted (deficit)	(347,015)	-623.39%	(49,695)	-12.35%
Total net position (deficit)	<u>\$ 55,666</u>	<u>100.00%</u>	<u>\$ 402,293</u>	<u>100.00%</u>

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Revenues		
Operating revenues	<u>\$ 2,340,934</u>	<u>\$ 2,667,401</u>
Expenses		
Operating expenses	<u>2,687,641</u>	<u>2,750,565</u>
Operating income (loss)	<u>(346,707)</u>	<u>(83,164)</u>
Nonoperating revenue (expenses)	<u>80</u>	<u>695</u>
Change in net position	<u>(346,627)</u>	<u>(82,469)</u>
Net position - beginning	<u>402,293</u>	<u>484,762</u>
Net position - end of year	<u>\$ 55,666</u>	<u>\$ 402,293</u>

Park Rest had a loss of \$346,627 in the current year, compared to the prior year loss of \$82,469. The current year loss was due to a decrease in operating revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2014, Park Rest had \$402,681 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 \$6,316. Accumulated depreciation increased by \$55,622 (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
Director

**PARK REST HARDIN COUNTY HEALTH CENTER
STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS	
CURRENT ASSETS	
Cash	\$ 39,809
Accounts receivable, net of allowance for doubtful accounts of \$29,458 (29,458 in 2013)	177,265
Due from Hardin Home	621,455
Inventory	5,502
Prepaid expenses	24,042
TOTAL CURRENT ASSETS	<u>868,073</u>
 CAPITAL ASSETS	
Land	26,700
Building and improvements	1,148,001
Furniture and fixtures	85,517
Equipment	366,556
	<u>1,626,774</u>
Less: accumulated depreciation	1,224,093
NET CAPITAL ASSETS	<u>402,681</u>
 OTHER ASSETS	
Trust funds	<u>10,171</u>
TOTAL ASSETS	<u>1,280,925</u>
 LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	20,024
Accrued management fee	1,058,012
Other accrued expenses	137,052
Trust funds	10,171
TOTAL CURRENT LIABILITIES	<u>1,225,259</u>
 NET POSITION	
Investment in capital assets	402,681
Unrestricted (deficit)	(347,015)
TOTAL NET POSITION	<u>\$ 55,666</u>

**PARK REST HARDIN COUNTY HEALTH CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014**

OPERATING REVENUES	
Patient revenues	<u>\$ 2,340,934</u>
OPERATING EXPENSES	
Administrative	912,279
Dietary	250,443
Housekeeping	151,053
Laundry	155,604
Operation and maintenance	190,710
Nursing	912,545
Social service	59,385
Depreciation	55,622
TOTAL OPERATING EXPENSES	<u>2,687,641</u>
NET OPERATING INCOME (LOSS)	<u>(346,707)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	<u>80</u>
NONOPERATING REVENUE (EXPENSE) - NET	<u>80</u>
CHANGE IN NET POSITION	(346,627)
NET POSITION - BEGINNING	<u>402,293</u>
NET POSITION - ENDING	<u><u>\$ 55,666</u></u>

**PARK REST HARDIN COUNTY HEALTH CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from patient services	\$ 2,317,454
Payments to suppliers	(965,371)
Payments to employees	<u>(1,583,481)</u>
CASH USED FOR OPERATING ACTIVITIES	<u>(231,398)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(6,316)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>80</u>
 NET DECREASE IN CASH	 (237,634)
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>277,443</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u><u>\$ 39,809</u></u>
 RECONCILIATION OF OPERATING REVENUE TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (346,707)
Adjustments to derive cash effect:	
Depreciation	55,622
Accounts receivable	(23,480)
Due from Hardin Home	(64,548)
Inventory	(300)
Prepaid insurance	(4,114)
Accounts payable	(4,946)
Accrued management fee	160,866
Accrued expenses	<u>(3,791)</u>
CASH USED FOR OPERATING ACTIVITIES	<u><u>\$ (231,398)</u></u>

**PARK REST HARDIN COUNTY HEALTH CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014**

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 charges due from insurance companies and private-pay families.

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, 2014

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, 2014.

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, 2014.

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.
- 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 net investment in capital assets.

**PARK REST HARDIN COUNTY HEALTH CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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 \$155,604.

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 \$212,024.

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 \$163,865 in 2014.

Park Rest is responsible to pay the County a monthly administrative fee equal to one percent of gross revenues. For 2014, that fee equaled \$23,409.

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, 2014, 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, 2014**

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 85% of the accounts receivable balance at June 30, 2014, 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, 2014, was as follows:

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
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	360,240	6,316	-	366,556
Total capital assets being depreciated	<u>1,593,758</u>	<u>6,316</u>	<u>-</u>	<u>1,600,074</u>
Less accumulated depreciation for:				
Buildings and improvements	(797,411)	(28,130)	-	(825,541)
Furniture and fixtures	(60,857)	(3,391)	-	(64,248)
Equipment	(310,202)	(24,101)	(1)	(334,304)
Total accumulated depreciation	<u>(1,168,470)</u>	<u>(55,622)</u>	<u>(1)</u>	<u>(1,224,093)</u>
Total capital assets being depreciated, net	<u>425,288</u>			<u>375,981</u>
Total capital assets, net	<u>\$ 451,988</u>			<u>\$ 402,681</u>

Fully depreciated assets at June 30, 2014, amounted to \$410,865.

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
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2014**

ADMINISTRATIVE

Salaries	\$ 122,524
Payroll taxes	110,258
Office supplies	24,171
Telephone	28,394
Nursing home license fee	137,950
Employee benefits	120,564
Insurance	116,825
Travel and conventions	4,033
Administrative fee	23,409
Management fee	163,865
Professional fees	17,419
Legal	2,600
Uniforms	3,244
Bad debt expense	31,876
Dues and subscriptions	5,147
TOTAL ADMINISTRATIVE	<u>912,279</u>

DIETARY

Salaries	241,952
Consultants	5,280
Food	189,448
Supplies	25,787
Reimbursements received	(212,024)
TOTAL DIETARY	<u>250,443</u>

HOUSEKEEPING

Salaries	140,623
Supplies	10,430
TOTAL HOUSEKEEPING	<u>151,053</u>

LAUNDRY

Services and supplies	155,604
TOTAL LAUNDRY	<u>155,604</u>

**PARK REST HARDIN COUNTY HEALTH CENTER
SCHEDULES OF OPERATING EXPENSES (continued)
YEAR ENDED JUNE 30, 2014**

OPERATION AND MAINTENANCE	
Salaries	\$ 67,549
Repairs	33,821
Utilities	89,340
TOTAL OPERATION AND MAINTENANCE	<u>190,710</u>
 NURSING SERVICE	
Salaries	843,378
Medicine and supplies	51,167
Consultants	18,000
TOTAL NURSING SERVICE	<u>912,545</u>
 SOCIAL SERVICES	
Salaries	57,197
Supplies	2,188
TOTAL SOCIAL SERVICES	<u>59,385</u>
 DEPRECIATION	
Buildings	24,978
Improvements other than buildings	3,152
Furniture and fixtures	3,391
Equipment	24,101
TOTAL DEPRECIATION	<u>55,622</u>
 TOTAL OPERATING EXPENSES	 <u><u>\$ 2,687,641</u></u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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 the business-type activities of Park Rest Hardin County Health Center (Park Rest), a department of Hardin County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which comprise Park Rest's financial statements and have issued our report thereon dated November 7, 2014.

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.

2014 – 01 GENERAL LEDGER MATERIALLY MISSTATED BEFORE ADJUSTMENTS

The client's general ledger was materially misstated because personnel did not adjust laundry income and dietary expenses to actual 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 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. 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 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

None.

Halvick & Associates, PLLC

November 7, 2014