

PARK REST HARDIN COUNTY
HEALTH CENTER

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

**PARK REST HARDIN COUNTY HEALTH CENTER
 SAVANNAH, TENNESSEE
 INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
 JUNE 30, 2015**

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**PARK REST HARDIN COUNTY HEALTH CENTER
ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS
JUNE 30, 2015**

COUNTY MAYOR

Kevin Davis

COUNTY COMMISSION

| | |
|------------------|-------------------|
| *Gary Combs | Fred McFalls, Jr. |
| Adam Coleman | Darren Howard |
| *Stephen Ballard | Roger L. Jenkins |
| C. D. Rickman | Charles Holloway |
| Bobby Barnes | Kathy Smith |
| Boyce Bain | *Nickie L. Cagle |
| Mike Jerrolds | Brandon Morris |
| *Wally Hamilton | *Paul Riddell |
| Larry Byrd | *Emery White |
| Brodie Johnson | *Mike Fowler |

MANAGEMENT OFFICIALS

| | |
|-----------------|---------------|
| Denise Phillips | Manager |
| Michael Reeves | Administrator |

*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, 2015, and the related notes to the financial statements, which collectively comprise Park Rest Hardin County Health Center's basic 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 from 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 opinion.

Opinion

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, 2015, 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, 2015, 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 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 January 15, 2016, 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.

January 15, 2016

Moehlin & Associates, PLLC

PARK REST HARDIN COUNTY HEALTH CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. 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 \$29,882 (*net position*).
- Capital assets increased by \$2,917 due to purchases of equipment.
- Net position decreased \$25,784 or 46.32%.
- Operating revenues were \$2,611,066, an increase of \$270,132 from the prior year of \$2,340,934 or 11.54%.
- Operating expenses were \$2,639,447, a decrease of \$48,194 from the prior year of \$2,687,641 or 1.79%.
- The operating income (loss) for the year was \$(25,784) compared to a prior year loss of \$(346,627).

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 \$29,882 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, 2015**

Statement of Net Position

| | <u>June 30, 2015</u> | <u>Percent of Total</u> | <u>June 30, 2014</u> | <u>Percent of Total</u> |
|------------------------------|----------------------|-----------------------------|----------------------|-----------------------------|
| Current and other assets | \$ 1,082,942 | 75.01% | \$ 878,244 | 68.56% |
| Capital assets | 360,760 | 24.99% | 402,681 | 31.44% |
| Total assets | <u>1,443,702</u> | <u>100.00%</u> | <u>1,280,925</u> | <u>100.00%</u> |
| Current liabilities | <u>1,413,820</u> | <u>100.00%</u> | <u>1,225,259</u> | <u>100.00%</u> |
| Total liabilities | <u>1,413,820</u> | <u>100.00%</u> | <u>1,225,259</u> | <u>100.00%</u> |
| Net position | | | | |
| Investment in capital assets | 360,760 | 1207.28% | 402,681 | 723.39% |
| Unrestricted (deficit) | (330,878) | -1107.28% | (347,015) | -623.39% |
| Total net position (deficit) | <u>\$ 29,882</u> | <u>100.00%</u> | <u>\$ 55,666</u> | <u>100.00%</u> |

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

| | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
|--|----------------------|----------------------|
| Revenues | | |
| Operating revenues | <u>\$ 2,611,066</u> | <u>\$ 2,340,934</u> |
| Expenses | | |
| Operating expenses | <u>2,639,447</u> | <u>2,687,641</u> |
| Operating income (loss) | <u>(28,381)</u> | <u>(346,707)</u> |
| Nonoperating revenue (expenses) | <u>2,597</u> | <u>80</u> |
| Change in net position | <u>(25,784)</u> | <u>(346,627)</u> |
| Net position - beginning | <u>55,666</u> | <u>402,293</u> |
| Net position - end of year | <u>\$ 29,882</u> | <u>\$ 55,666</u> |

Park Rest had a loss of \$25,784 in the current year, compared to the prior year loss of \$346,627. The improvement in operations in the current year was due to increased operating revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2015, Park Rest had \$360,760 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 \$2,917. Accumulated depreciation increased by \$44,838 (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, 2015**

ASSETS

CURRENT ASSETS

| | |
|--|------------------|
| Cash | \$ 129,873 |
| Accounts receivable, net of allowance for doubtful accounts of \$226,551 (29,458 in 2014) | 217,723 |
| Due from Hardin Home | 680,523 |
| Inventory | 6,552 |
| Prepaid expenses | 25,230 |
| TOTAL CURRENT ASSETS | 1,059,901 |

CAPITAL ASSETS

| | |
|--------------------------------|----------------|
| Land | 26,700 |
| Building and improvements | 1,148,001 |
| Furniture and fixtures | 85,517 |
| Equipment | 369,473 |
| | 1,629,691 |
| Less: accumulated depreciation | 1,268,931 |
| NET CAPITAL ASSETS | 360,760 |

OTHER ASSETS

| | |
|-------------|--------|
| Trust funds | 23,041 |
|-------------|--------|

| | |
|---------------------|------------------|
| TOTAL ASSETS | 1,443,702 |
|---------------------|------------------|

LIABILITIES

CURRENT LIABILITIES

| | |
|----------------------------------|------------------|
| Accounts payable | 17,347 |
| Accrued management fee | 1,240,786 |
| Other accrued expenses | 132,646 |
| Trust funds | 23,041 |
| TOTAL CURRENT LIABILITIES | 1,413,820 |

NET POSITION

| | |
|------------------------------|------------------|
| Investment in capital assets | 360,760 |
| Unrestricted (deficit) | (330,878) |
| TOTAL NET POSITION | \$ 29,882 |

**PARK REST HARDIN COUNTY HEALTH CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015**

| | |
|---|-------------------------|
| OPERATING REVENUES | |
| Patient revenues | \$ 2,840,633 |
| Uncollectible accounts | <u>(229,567)</u> |
| TOTAL OPERATING REVENUES | <u>2,611,066</u> |
| OPERATING EXPENSES | |
| Administrative | 908,527 |
| Dietary | 270,916 |
| Housekeeping | 138,395 |
| Laundry | 161,057 |
| Operation and maintenance | 154,400 |
| Nursing | 895,221 |
| Social service | 66,093 |
| Depreciation | <u>44,838</u> |
| TOTAL OPERATING EXPENSES | <u>2,639,447</u> |
| NET OPERATING INCOME (LOSS) | <u>(28,381)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest revenue | 81 |
| Miscellaneous income | <u>2,516</u> |
| NONOPERATING REVENUE (EXPENSE) - NET | <u>2,597</u> |
| CHANGE IN NET POSITION | (25,784) |
| NET POSITION - BEGINNING | <u>55,666</u> |
| NET POSITION - ENDING | <u><u>\$ 29,882</u></u> |

**PARK REST HARDIN COUNTY HEALTH CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--------------------------------|--------------|
| Receipts from patient services | \$ 2,570,608 |
| Payments to suppliers | (908,734) |
| Payments to employees | (1,571,490) |
| Other operating cash receipts | <u>2,516</u> |

CASH PROVIDED BY OPERATING ACTIVITIES 92,900

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|-------------------------------|----------------|
| Acquisition of capital assets | <u>(2,917)</u> |
|-------------------------------|----------------|

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|-----------------|-----------|
| Interest income | <u>81</u> |
|-----------------|-----------|

NET INCREASE IN CASH 90,064

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 39,809

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 129,873

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

| | |
|------------------------------------|--------------|
| Operating income (loss) | \$ (28,381) |
| Adjustments to derive cash effect: | |
| Depreciation | 44,838 |
| Accounts receivable | (40,458) |
| Due from Hardin Home | (59,068) |
| Inventory | (1,050) |
| Prepaid insurance | (1,188) |
| Accounts payable | (2,677) |
| Accrued management fee | 182,774 |
| Accrued expenses | (4,406) |
| Other revenue | <u>2,516</u> |

CASH PROVIDED BY OPERATING ACTIVITIES \$ 92,900

**PARK REST HARDIN COUNTY HEALTH CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015**

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, 2015

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, 2015.

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, 2015.

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, 2015**

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 is to approximate Hardin Home's actual costs of providing the services. The total laundry charges for the year were \$161,057.

Park Rest prepared meals for residents of Hardin Home. The charges for the meals approximate Park Rest's actual costs of providing the meals. The dietary charges for the year totaled \$189,556.

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 revenues received by the facility from all sources and equaled \$182,775 in 2015.

Park Rest is responsible to pay the County a monthly administrative fee equal to one percent of revenues. For 2015, that fee equaled \$26,111.

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, 2015, 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, 2015**

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 69% of the accounts receivable balance at June 30, 2015, 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, 2015, was as follows:

| | <u>Balance 7/1/2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance 6/30/2015</u> |
|---|-----------------------------|------------------|------------------|------------------------------|
| 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 | 366,556 | 2,917 | - | 369,473 |
| Total capital assets being depreciated | <u>1,600,074</u> | <u>2,917</u> | <u>-</u> | <u>1,602,991</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (825,541) | (27,716) | - | (853,257) |
| Furniture and fixtures | (64,248) | (3,132) | - | (67,380) |
| Equipment | (334,304) | (13,990) | - | (348,294) |
| Total accumulated depreciation | <u>(1,224,093)</u> | <u>(44,838)</u> | <u>-</u> | <u>(1,268,931)</u> |
| Total capital assets being depreciated, net | <u>375,981</u> | | | <u>334,060</u> |
| Total capital assets, net | <u>\$ 402,681</u> | | | <u>\$ 360,760</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, 2015**

ADMINISTRATIVE

| | |
|-----------------------------|----------------|
| Salaries | \$ 66,447 |
| Payroll taxes | 102,380 |
| Office supplies | 22,143 |
| Telephone | 32,562 |
| Nursing home license fee | 216,781 |
| Employee benefits | 97,601 |
| Insurance | 132,965 |
| Travel and conventions | 3,004 |
| Administrative fee | 26,111 |
| Management fee | 182,775 |
| Professional fees | 20,421 |
| Dues and subscriptions | 5,337 |
| TOTAL ADMINISTRATIVE | <u>908,527</u> |

DIETARY

| | |
|-------------------------|----------------|
| Salaries | 244,527 |
| Consultants | 2,640 |
| Food | 188,897 |
| Supplies | 24,408 |
| Reimbursements received | (189,556) |
| TOTAL DIETARY | <u>270,916</u> |

HOUSEKEEPING

| | |
|---------------------------|----------------|
| Salaries | 129,070 |
| Supplies | 9,325 |
| TOTAL HOUSEKEEPING | <u>138,395</u> |

LAUNDRY

| | |
|-----------------------|----------------|
| Services and supplies | 161,057 |
| TOTAL LAUNDRY | <u>161,057</u> |

**PARK REST HARDIN COUNTY HEALTH CENTER
SCHEDULE OF OPERATING EXPENSES (continued)
YEAR ENDED JUNE 30, 2015**

| | |
|--|--------------------------------|
| OPERATION AND MAINTENANCE | |
| Salaries | \$ 51,802 |
| Repairs | 20,907 |
| Utilities | 81,691 |
| TOTAL OPERATION AND MAINTENANCE | <u>154,400</u> |
| NURSING SERVICE | |
| Salaries | 816,399 |
| Medicine and supplies | 64,851 |
| Consultants | 13,971 |
| TOTAL NURSING SERVICE | <u>895,221</u> |
| SOCIAL SERVICES | |
| Salaries | 63,264 |
| Supplies | 2,829 |
| TOTAL SOCIAL SERVICES | <u>66,093</u> |
| DEPRECIATION | |
| Buildings | 24,978 |
| Improvements other than buildings | 2,738 |
| Furniture and fixtures | 3,132 |
| Equipment | 13,990 |
| TOTAL DEPRECIATION | <u>44,838</u> |
| TOTAL OPERATING EXPENSES | <u><u>\$ 2,639,447</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, 2015, and the related notes to the financial statements, which comprise Park Rest's financial statements and have issued our report thereon dated January 15, 2016.

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 – 001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE ADJUSTMENTS

The client's general ledger was materially misstated because the allowance for doubtful accounts and prepaid insurance were understated before audit adjustments, while accounts payable was overstated before audit adjustments. 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

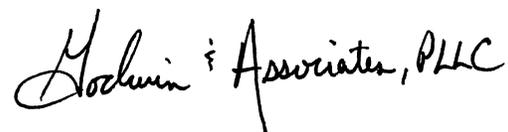
Park Rest's response to the finding identified in our audit is described above. Park Rest's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



January 15, 2016