

WAYNE COUNTY RETIREMENT FACILITIES

WAYNESBORO, TENNESSEE

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION  
AND  
REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2009 AND 2008

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TABLE OF CONTENTS

	<u>PAGE</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	1 - 2
FINANCIAL STATEMENTS	
Statements of Net Assets (Deficit) .....	3
Statements of Revenues, Expenses, and Changes in Net Assets (Deficit) .....	4
Statements of Cash Flows .....	5 - 6
Notes to Financial Statements .....	7 - 17
ADDITIONAL INFORMATION	
Combining Schedules of Net Assets (Deficit) .....	18 - 19
Combining Schedules of Revenues, Expenses, and Changes in Net Assets (Deficit) .....	20
Combining Schedules of Cash Flows .....	21 - 22
OTHER REPORT	
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	23 - 24



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Wayne County General Hospital Board of Trustees  
Wayne County Retirement Facilities  
Waynesboro, Tennessee

We have audited the accompanying statements of net assets (deficit) of the Wayne County Retirement Facilities (the "Facilities"), a component unit of Wayne County, Tennessee, as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Facilities' management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements present only the accounts and operations of the Wayne County Retirement Facilities and are not intended to present fairly the financial position of Wayne County, Tennessee, or the results of its operations and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

The Facilities have not presented a Management's Discussion and Analysis that under accounting principles generally accepted in the United States is required to supplement, although not required to be a part of, the basic financial statements. Additionally, the Facilities have not presented certain supplementary information required by the *Audit Manual* issued by the State of Tennessee Department of Audit.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Wayne County Retirement Facilities as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS (CONTINUED)

In accordance with *Government Auditing Standards*, we have also issued a report dated November 25, 2009, on our consideration of the Facilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the above-mentioned basic financial statements taken as a whole. The accompanying additional information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kraft CPAs PA&C

Columbia, Tennessee  
November 25, 2009

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF NET ASSETS (DEFICIT)

JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted - Note 2	\$ 447,027	\$ 516,701
Resident accounts receivable, net of allowance for uncollectible accounts of \$80,535 each year	351,930	18,548
Due from State of Tennessee	68,334	-
Notes receivable - current portion - Note 3	1,721	1,684
Prepaid insurance	10,157	35,206
Inventories	<u>21,452</u>	<u>19,727</u>
TOTAL CURRENT ASSETS	<u>900,621</u>	<u>591,866</u>
ASSETS LIMITED AS TO USE		
Cash and cash equivalents - restricted - Note 2	<u>26,900</u>	<u>12,377</u>
TOTAL ASSETS LIMITED AS TO USE	<u>26,900</u>	<u>12,377</u>
OTHER ASSETS		
Bond issue costs, net of accumulated amortization	49,374	55,943
Notes receivable, excluding current portion - Note 3	<u>51,178</u>	<u>52,869</u>
TOTAL OTHER ASSETS	<u>100,552</u>	<u>108,812</u>
LAND, BUILDING AND EQUIPMENT - at cost, net of accumulated depreciation - Note 4		
	<u>3,049,475</u>	<u>3,320,540</u>
TOTAL ASSETS	<u>\$ 4,077,548</u>	<u>\$ 4,033,595</u>

See accompanying notes to financial statements.

	<u>2009</u>	<u>2008</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES (Payable from unrestricted assets)</b>		
Accounts payable	\$ 95,387	\$ 82,392
Accrued expenses and other liabilities	385,569	284,002
Due to the State of Tennessee - Note 10	-	227,414
Due to the U.S. Department of Justice - Note 10	135,000	180,000
Due to Wayne County, Tennessee - Note 5	1,292,658	1,124,235
Current portion of long-term debt - Note 6	<u>877,169</u>	<u>608,271</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,785,783</u>	<u>2,506,314</u>
<b>CURRENT LIABILITIES (Payable from assets limited as to use)</b>		
Patients' trust fund	<u>26,900</u>	<u>12,377</u>
<b>LONG-TERM DEBT</b>		
Notes and bonds payable - Note 6	3,200,804	3,425,804
Capital lease obligations - Notes 6 and 7	<u>1,744</u>	<u>7,452</u>
	3,202,548	3,433,256
Less current portion	<u>877,169</u>	<u>608,271</u>
<b>TOTAL LONG-TERM DEBT</b>	<u>2,325,379</u>	<u>2,824,985</u>
<b>TOTAL LIABILITIES</b>	<u>5,138,062</u>	<u>5,343,676</u>
<b>NET ASSETS (DEFICIT)</b>		
Invested in capital assets, net of related debt	303,047	429,736
Unrestricted (deficit)	<u>(1,363,561)</u>	<u>(1,739,817)</u>
<b>TOTAL NET ASSETS (DEFICIT)</b>	<u>(1,060,514)</u>	<u>(1,310,081)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,077,548</u>	<u>\$ 4,033,595</u>

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT)

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Net resident service revenue, net of provision for bad debts of \$12,698 and \$0, respectively	\$ 5,769,704	\$ 5,217,997
Other operating revenues	<u>6,455</u>	<u>3,449</u>
<b>TOTAL OPERATING REVENUES</b>	<u>5,776,159</u>	<u>5,221,446</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	3,492,680	3,365,646
Supplies and other	1,432,203	1,488,993
Utilities	184,230	165,453
Depreciation	<u>279,788</u>	<u>293,713</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>5,388,901</u>	<u>5,313,805</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>387,258</u>	<u>(92,359)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Interest income	6,921	6,959
Interest expense	<u>(144,612)</u>	<u>(145,989)</u>
<b>TOTAL NONOPERATING REVENUE (EXPENSE) - NET</b>	<u>(137,691)</u>	<u>(139,030)</u>
<b>CHANGE IN NET ASSETS</b>	249,567	(231,389)
<b>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</b>	<u>(1,310,081)</u>	<u>(1,078,692)</u>
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<u>\$ (1,060,514)</u>	<u>\$ (1,310,081)</u>

See accompanying notes to financial statements.

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from residents	\$ 5,450,845	\$ 5,280,242
Payments to suppliers	(1,794,286)	(1,742,598)
Payments to employees	(3,444,266)	(3,307,844)
Other receipts	<u>6,455</u>	<u>3,449</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>218,748</u>	<u>233,249</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from issuance of debt	-	100,000
Debt principal payments	(134,188)	(44,847)
Interest paid	<u>(12,511)</u>	<u>(19,459)</u>
<b>NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES</b>	<u>(146,699)</u>	<u>35,694</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt principal payments	(1,520)	(7,244)
Interest paid	(125,532)	(119,963)
Bond issue costs	-	(5,000)
Acquisition of capital assets	<u>(8,723)</u>	<u>(5,189)</u>
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(135,775)</u>	<u>(137,396)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments received on notes receivable	1,654	1,590
Interest income	<u>6,921</u>	<u>6,959</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>8,575</u>	<u>8,549</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(55,151)	140,096
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>529,078</u>	<u>388,982</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 473,927</u>	<u>\$ 529,078</u>

See accompanying notes to financial statements.

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Income (loss) from operations	\$ 387,258	\$ (92,359)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Depreciation	279,788	293,713
Provision for bad debts	12,698	-
(Increase) decrease in:		
Accounts receivable and other receivables	(414,414)	63,708
Prepaid expenses	25,049	(10,397)
Inventories	(1,725)	(1,874)
Increase (decrease) in:		
Accounts payable	12,995	(78,649)
Accrued expenses and other liabilities	101,567	57,802
Due to State of Tennessee	(227,414)	(254,632)
Due to U.S. Department of Justice	(45,000)	180,000
Due to Wayne County, Tennessee	73,423	77,400
Patients' trust fund	14,523	(1,463)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 218,748</u></b>	<b><u>\$ 233,249</u></b>
 <b>SCHEDULE OF NONCASH TRANSACTIONS:</b>		
Amortization of bond issue costs included in interest expense	\$ 6,569	\$ 6,567
Payments on long-term debt by Wayne County	95,000	90,000

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

## WAYNE COUNTY RETIREMENT FACILITIES

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### General

The Wayne County Retirement Facilities (the "Facilities") are not-for-profit residential health care providers operating as a component unit of Wayne County, Tennessee (the "County"). The Facilities, under the authority of the County Commission, are comprised of two divisions, the Wayne County Nursing Home ("WCNH") and the Wayne County Assisted Living Facility ("WCAL"). Under accounting principles generally accepted in the United States of America, the Facilities constitute component units of the County for financial reporting purposes.

##### Basis of accounting

The Facilities follow the accrual method of accounting whereby revenues are recognized in the period earned and expenditures are recorded at the time liabilities are incurred.

The Facilities apply all applicable Governmental Accounting Standards Board ("GASB") pronouncements in accounting and reporting as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures. The Facilities do not apply FASB Statements or Interpretations issued after November 30, 1989.

##### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Management believes that such estimates have been based on reasonable assumptions and are adequate; however, actual results could differ from these estimates.

##### Cash equivalents and investments

Certificates of deposit with original maturities of three months or less when acquired are considered to be cash equivalents. All certificates of deposit are reported at cost.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash equivalents and investments (continued)

Statutes authorize the Facilities to invest in: (1) U.S. government securities and obligations guaranteed by the U. S. government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; (3) the Local Government Investment Pool of the State of Tennessee; and (4) obligations of the United States or its agencies under repurchase agreements with certain restrictions. The Facilities held no investments at June 30, 2009 or 2008.

Deposits with financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

Resident accounts receivable

The Facilities' primary credit risk is resident accounts receivable, which consist of amounts owed by governmental agencies and private pay patients. The Facilities grant credit to residents and generally do not require collateral or other security in extending credit; however, the Facilities routinely obtain assignment of (or are otherwise entitled to receive) residents' benefits payable primarily under the Medicaid Program. The percentage of resident service revenue attributable to this program was approximately 73% for 2009 (72% for 2008).

The Facilities manage receivables by regularly reviewing their accounts and contracts and by providing appropriate allowances for estimated uncollectible amounts. Provision for bad debts is netted against resident service revenue. Accounts identified as uncollectible are charged off against the allowance in the period determined.

Inventories

Inventories consist primarily of medical and dietary supplies and are carried at the lower of cost, determined on the first-in, first-out method, or market.

Interfund and intrafund accounts

During the course of operations, transactions occur between and among individual funds of the County or within a single fund for goods or services rendered. Interfund receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet and are eliminated in the government-wide financial statements of the County. Intrafund receivables and payables are eliminated on the balance sheet.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets limited as to use

Assets limited as to use consist of restricted cash held in resident trust accounts and board designated investments in the form of certificates of deposit held for capital improvements.

Bond issue costs

Bond issue costs are capitalized and amortized on the straight-line method over the life of the related obligation. Amortization expense amounted to \$6,569 in 2009 (\$6,567 in 2008) and is included in interest expense.

Land, building and equipment

Land, building and equipment are recorded at cost. Depreciable assets are depreciated using the straight-line method over estimated useful lives of 6 to 40 years for building and improvements, and 3 to 10 years for major moveable equipment, fixtures, and automobiles.

Accrual for compensated absences

The Facilities' full-time employees earn vacation days as follows:

Less than 10 years service	12 days per year
10 - 20 years service	18 days per year
Over 20 years service	24 days per year

The Facilities' part-time employees working 20 or more hours per week earn one vacation day for every 22 days worked. If an employee is dismissed for cause or fails to give proper notice prior to leaving, the employee is not paid for the accumulated vacation days. The accumulation of vacation days is limited to one year's vacation allowance, except by permission of the Administrator. Vacation expense is accrued and included in accrued expenses and other liabilities as earned. Sick pay is expensed when paid or payable since it does not vest.

Net resident service revenue

Net resident service revenue is reported as services are rendered at estimated net realizable amounts from residents, third-party payors, and others for services rendered. The provision for bad debts is netted against net resident revenue.

The Facilities currently participate in the Medicaid Intermediate Care Program (the "Medicaid Program"). The Medicaid Program reimburses the Facilities for the cost of intermediate care services rendered to Medicaid beneficiaries at a prospective rate which is based on the lower of the reimbursable cost of services rendered to intermediate care beneficiaries or a reimbursement cap established by Medicaid. The reimbursement cap is expressed as a per diem amount.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2009, the Facilities' cash and cash equivalents amounted to \$473,927. Bank balances for such amounts totaled \$482,908, of which \$308,775 was insured by the Federal Deposit Corporation (FDIC). A portion of the remaining balance was secured by collateral held by the Facilities' Agent in the Facilities' name. As of June 30, 2009, the Facilities were not under-collateralized.

NOTE 3 - NOTES RECEIVABLE

The Facilities have the following notes receivable due from Wayne County Senior Citizens Center at June 30:

	<u>2009</u>	<u>2008</u>
Note receivable, due in monthly installments of principal and interest (at 4.0%) of \$150 through December 2022.	\$ 18,764	\$ 19,791
Note receivable, due in monthly installments of principal and interest (at 4.0%) of \$167 through January 2038.	<u>34,135</u>	<u>34,762</u>
	52,899	54,553
Less current portion	<u>(1,721)</u>	<u>(1,684)</u>
	<u>\$ 51,178</u>	<u>\$ 52,869</u>

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 4 - LAND, BUILDING AND EQUIPMENT

A summary of changes in land, building and equipment and related accumulated depreciation for the year ended June 30, 2009, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 111,900	\$ -	\$ -	\$ 111,900
Capital assets, being depreciated:				
Buildings and improvements	4,210,841	3,000	-	4,213,841
Furniture and equipment	1,884,880	5,723	-	1,890,603
Automobiles	28,873	-	-	28,873
	<u>6,124,594</u>	<u>8,723</u>	<u>-</u>	<u>6,133,317</u>
Less accumulated depreciation:				
Buildings and improvements	1,849,961	152,886	-	2,002,847
Furniture and equipment	1,038,703	125,902	-	1,164,605
Automobiles	27,290	1,000	-	28,290
	<u>2,915,954</u>	<u>279,788</u>	<u>-</u>	<u>3,195,742</u>
Total capital assets, being depreciated, net	<u>3,208,640</u>	<u>(271,065)</u>	<u>-</u>	<u>2,937,575</u>
Total capital assets, net	<u>\$3,320,540</u>	<u>\$ (271,065)</u>	<u>\$ -</u>	<u>\$3,049,475</u>

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 4 - LAND, BUILDING AND EQUIPMENT (CONTINUED)

A summary of changes in land, building and equipment and related accumulated depreciation for the year ended June 30, 2008, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 111,900	\$ -	\$ -	\$ 111,900
Capital assets, being depreciated:				
Buildings and improvements	4,205,652	5,189	-	4,210,841
Furniture and equipment	1,884,880	-	-	1,884,880
Automobiles	28,873	-	-	28,873
	<u>6,119,405</u>	<u>5,189</u>	<u>-</u>	<u>6,124,594</u>
Less accumulated depreciation:				
Buildings and improvements	1,692,064	157,897	-	1,849,961
Furniture and equipment	903,887	134,816	-	1,038,703
Automobiles	26,290	1,000	-	27,290
	<u>2,622,241</u>	<u>293,713</u>	<u>-</u>	<u>2,915,954</u>
Total capital assets, being depreciated, net	<u>3,497,164</u>	<u>(288,524)</u>	<u>-</u>	<u>3,208,640</u>
Total capital assets, net	<u>\$ 3,609,064</u>	<u>\$ (288,524)</u>	<u>\$ -</u>	<u>\$ 3,320,540</u>

Depreciation expense amounted to \$279,788 in 2009 (\$293,713 in 2008).

NOTE 5 - INTERFUND PAYABLES

WCAL has an interfund payable to the County for \$1,292,658 as of June 30, 2009 (\$1,124,235 for 2008), all of which is due on demand. Of this amount, \$152,173 represents the excess of construction costs of the building over the amount financed by the bonds. The remainder of the payable resulted from advances for bond principal and interest payments the County made on behalf of WCAL.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 6 - NOTES AND BONDS PAYABLE

Changes in long-term debt were as follows for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Notes and Bonds Payable</b>					
Nursing Home Capital Outlay Notes Series 2005 - interest rate of 2.90%, maturing over a 6-year period, with the first payment made August 1, 2005, and the final payment due February 1, 2012.	\$ 525,804	\$ -	\$ -	\$ 525,804	\$ 340,425
Nursing Home General Obligation Notes Series 2006 - interest rate of 4.05%, maturing over a 25-year period, with the first payment made December 1, 2006, and the final payment due June 1, 2031.	610,000	-	-	610,000	35,000
Nursing Home General Obligation Notes Series 2007 - interest rate of 5.00%, with entire balance due December 1, 2009.	200,000	-	10,000	190,000	190,000
Nursing Home 6.50% demand note payable to a bank, if no demand then principal and interest due January 4, 2010.	95,000	-	10,000	85,000	85,000
Nursing Home 6.56% demand note payable to a bank, if no demand then principal and interest due January 3, 2010, collateralized by deposit accounts.	140,000	-	10,000	130,000	130,000
Nursing Home General Obligation Notes Series 2007A - interest rate of 5.50%, with final payment made July 2009.	100,000	-	100,000	-	-
Assisted Living Facility Lease Revenue and Tax Bonds Series 2001 - interest rate of 4.30%, maturing over a 20-year period, with the first payment made October 1, 2002, and the final payment due October 1, 2021.	<u>1,755,000</u>	<u>-</u>	<u>95,000</u>	<u>1,660,000</u>	<u>95,000</u>
Total notes and bonds payable	3,425,804	-	225,000	3,200,804	875,425
Capital lease obligations - Note 7	<u>7,452</u>	<u>-</u>	<u>5,708</u>	<u>1,744</u>	<u>1,744</u>
Total long-term debt	<u>\$ 3,433,256</u>	<u>\$ -</u>	<u>\$ 230,708</u>	<u>\$ 3,202,548</u>	<u>\$ 877,169</u>

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 6 - NOTES AND BONDS PAYABLE (CONTINUED)

Changes in long-term debt were as follows for the year ended June 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Notes and Bonds Payable</b>					
Nursing Home Capital Outlay Notes Series 2005 - interest rate of 2.90%, maturing over a 6-year period, with the first payment made August 1, 2005, and the final payment due February 1, 2012.	\$ 525,804	\$ -	\$ -	\$ 525,804	\$ 251,635
Nursing Home General Obligation Notes Series 2006 - interest rate of 4.05%, maturing over a 25-year period, with the first payment made December 1, 2006, and the final payment due June 1, 2031.	615,000	-	5,000	610,000	20,000
Nursing Home General Obligation Notes Series 2007 - interest rate of 5.00%, with entire balance due December 1, 2009.	200,000	-	-	200,000	-
Nursing Home 5.76% demand note payable to a bank, if no demand then due in monthly installments of \$8,625, final payment made September 10, 2007.	25,659	-	25,659	-	-
Nursing Home 6.50% demand note payable to a bank, if no demand then principal and interest due June 28, 2008.	100,000	-	5,000	95,000	95,000
Nursing Home 6.56% demand note payable to a bank, if no demand then principal and interest due January 3, 2009, collateralized by deposit accounts.	150,000	-	10,000	140,000	140,000
Nursing Home General Obligation Notes Series 2007A - interest rate of 5.50%, with entire balance due July 15, 2009.	-	100,000	-	100,000	-
Assisted Living Facility Lease Revenue and Tax Bonds Series 2001 - interest rate of 4.30%, maturing over a 20-year period, with the first payment made October 1, 2002, and the final payment due October 1, 2021.	1,845,000	-	90,000	1,755,000	95,000
Total notes and bonds payable	3,461,463	100,000	135,659	3,425,804	601,635
Capital lease obligations - Note 7	13,884	-	6,432	7,452	6,636
Total long-term debt	<u>\$ 3,475,347</u>	<u>\$ 100,000</u>	<u>\$ 142,091</u>	<u>\$ 3,433,256</u>	<u>\$ 608,271</u>

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 6 - NOTES AND BONDS PAYABLE (CONTINUED)

A schedule of annual principal maturities of notes and bonds payable as of June 30, 2009, follows:

<u>Year ending June 30,</u>	<u>Bond Indebtedness</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 877,169	\$ 188,381
2011	206,365	92,430
2012	214,014	84,711
2013	125,000	76,701
2014	130,000	71,202
2015 - 2031	<u>1,650,000</u>	<u>394,111</u>
	<u>\$ 3,202,548</u>	<u>\$ 907,536</u>

NOTE 7 - CAPITAL LEASES

The Facilities have entered into two long-term agreements, accounted for as capital leases, for certain furniture and equipment. The capitalized assets and related liabilities were recorded at the present value of the future minimum payments due under the leases.

The following is a schedule, by year, of future minimum lease payments required under the leases, together with the present value of the net minimum lease payments, as of June 30, 2009:

<u>Year ending June 30:</u>	
2010	\$ <u>1,768</u>
Total minimum lease payments	1,768
Less: Discount for interest	<u>24</u>
Present value of minimum lease payments	<u>\$ 1,744</u>

A summary as of June 30, 2009, of the leased assets, which are included in land, building and equipment, follows:

Total assets leased under capital leases	\$ 26,544
Less accumulated depreciation	<u>(19,139)</u>
	<u>\$ 7,405</u>

## WAYNE COUNTY RETIREMENT FACILITIES

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

#### NOTE 8 - PENSION PLAN

##### Plan Description

Employees of the Facilities are part of the Wayne County General Fund Court which participates in the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at age 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Wayne County General Fund Court participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body. The Facilities' contribution to this plan was \$162,117 in 2009 (\$195,026 in 2008.)

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230, or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

Since the Facilities participate in Wayne County General Fund Court's plan, pension information for the Facilities is not available separately from the pension information provided for the County. Complete disclosure for the County's participation in the TCRS is described in the footnotes of the Annual Financial Report of Wayne County, Tennessee.

##### Funding Policy

Wayne County General Fund Court requires employees to contribute 5.00% of earnable compensation.

Wayne County General Fund Court is required to contribute at an actuarially determined rate; the rate was 6.88% for the fiscal years ended June 30, 2009 and 2008. The contribution requirement of plan members is set by state statute. The contribution requirement for Wayne County General Fund Court is established and may be amended by the TCRS Board of Trustees.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 9 - CONTINGENT LIABILITIES

The Facilities are exposed 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. The Facilities have elected to obtain various insurance policies to transfer risk to a commercial insurance company. Insurance settlements have not been in excess of insurance coverage in any of the prior three years.

The Facilities are also subject to claims and suits arising in the ordinary course of business, including workers' compensation claims and claims arising from services provided to residents in the past. In management's opinion, the Facilities are currently not a party to any proceeding, the ultimate resolution of which would have a material adverse effect on the Facilities' results of operations or financial condition. Accordingly, no liability for any such loss has been provided.

NOTE 10 - PAYABLES TO THE STATE OF TENNESSEE AND THE U.S. DEPARTMENT OF JUSTICE

During prior years, the Comptroller of the Treasury for the State of Tennessee (State) issued reports based upon certain audits of WCNH's Medicaid cost reports, resident receivable accounts and leave days. As a result, a liability to the State was recognized by WCNH. WCNH's outstanding obligation to the State was paid in full as of June 30, 2009 (\$227,414 in 2008).

During March 2009, WCNH reached an agreement with the State and the U.S. Department of Justice related to the 2003 and 2004 Cost Reports. The agreement provided for a \$180,000 settlement, payable by WCNH in eight equal monthly payments of \$22,500 with interest accruing at 4%. WCNH's outstanding obligation to the U.S. Department of Justice as of June 30, 2009 was \$135,000 (\$180,000 in 2008).

NOTE 11 - DEFICIT NET ASSETS

The Facilities have a deficit unrestricted net assets of \$1,363,561 at June 30, 2009 (\$1,739,817 in 2008) and a total deficit net assets of \$1,060,514 at June 30, 2009 (\$1,310,081 in 2008).

ADDITIONAL INFORMATION

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF NET ASSETS (DEFICIT)

JUNE 30, 2009 AND 2008

ASSETS	JUNE 30, 2009				JUNE 30, 2008			
	WCNH	WCAL	ELIMINATIONS	TOTAL	WCNH	WCAL	ELIMINATIONS	TOTAL
<b>CURRENT ASSETS</b>								
Cash and cash equivalents - unrestricted	\$ 416,228	\$ 30,799	\$ -	\$ 447,027	\$ 463,784	\$ 52,917	\$ -	\$ 516,701
Resident accounts receivable, net of allowance for uncollectible accounts	351,930	-	-	351,930	18,548	-	-	18,548
Intrafund receivable	158,897	-	(158,897)	-	157,404	-	(157,404)	-
Due from State of Tennessee	68,334	-	-	68,334	-	-	-	-
Notes receivable - current portion	1,721	-	-	1,721	1,684	-	-	1,684
Prepaid insurance	10,157	-	-	10,157	35,206	-	-	35,206
Inventories	21,452	-	-	21,452	19,727	-	-	19,727
<b>TOTAL CURRENT ASSETS</b>	<b>1,028,719</b>	<b>30,799</b>	<b>(158,897)</b>	<b>900,621</b>	<b>696,353</b>	<b>52,917</b>	<b>(157,404)</b>	<b>591,866</b>
<b>ASSETS LIMITED AS TO USE</b>								
Cash and cash equivalents - restricted	26,900	-	-	26,900	12,377	-	-	12,377
<b>TOTAL ASSETS LIMITED AS TO USE</b>	<b>26,900</b>	<b>-</b>	<b>-</b>	<b>26,900</b>	<b>12,377</b>	<b>-</b>	<b>-</b>	<b>12,377</b>
<b>OTHER ASSETS</b>								
Bond issue costs, net of accumulated amortization	13,088	36,286	-	49,374	16,865	39,078	-	55,943
Notes receivable, excluding current portion	51,178	-	-	51,178	52,869	-	-	52,869
<b>TOTAL OTHER ASSETS</b>	<b>64,266</b>	<b>36,286</b>	<b>-</b>	<b>100,552</b>	<b>69,734</b>	<b>39,078</b>	<b>-</b>	<b>108,812</b>
<b>LAND, BUILDING AND EQUIPMENT - at cost, net of accumulated depreciation</b>	<b>1,250,332</b>	<b>1,799,143</b>	<b>-</b>	<b>3,049,475</b>	<b>1,443,333</b>	<b>1,877,207</b>	<b>-</b>	<b>3,320,540</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,370,217</b>	<b>\$ 1,866,228</b>	<b>\$ (158,897)</b>	<b>\$ 4,077,548</b>	<b>\$ 2,221,797</b>	<b>\$ 1,969,202</b>	<b>\$ (157,404)</b>	<b>\$ 4,033,595</b>

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF NET ASSETS (DEFICIT) (CONTINUED)

JUNE 30, 2009 AND 2008

<u>LIABILITIES AND NET ASSETS</u>	<u>JUNE 30, 2009</u>				<u>JUNE 30, 2008</u>			
	<u>WCNH</u>	<u>WCAL</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>	<u>WCNH</u>	<u>WCAL</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
<b>CURRENT LIABILITIES (Payable from unrestricted assets)</b>								
Accounts payable	\$ 84,354	\$ 11,033	\$ -	\$ 95,387	\$ 72,993	\$ 9,399	\$ -	\$ 82,392
Accrued expenses and other liabilities	349,229	36,340	-	385,569	251,615	32,387	-	284,002
Due to the State of Tennessee	-	-	-	-	227,414	-	-	227,414
Due to the U.S. Department of Justice	135,000	-	-	135,000	180,000	-	-	180,000
Intrafund payable	-	158,897	(158,897)	-	-	157,404	(157,404)	-
Due to Wayne County, Tennessee	-	1,292,658	-	1,292,658	-	1,124,235	-	1,124,235
Current portion of long-term debt	780,425	96,744	-	877,169	510,823	97,448	-	608,271
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,349,008</b>	<b>1,595,672</b>	<b>(158,897)</b>	<b>2,785,783</b>	<b>1,242,845</b>	<b>1,420,873</b>	<b>(157,404)</b>	<b>2,506,314</b>
<b>CURRENT LIABILITIES (Payable from assets limited as to use)</b>								
Patients' trust fund	26,900	-	-	26,900	12,377	-	-	12,377
<b>LONG-TERM DEBT</b>								
Notes and bonds payable	1,540,804	1,660,000	-	3,200,804	1,670,804	1,755,000	-	3,425,804
Capital lease obligation	-	1,744	-	1,744	4,188	3,264	-	7,452
	1,540,804	1,661,744	-	3,202,548	1,674,992	1,758,264	-	3,433,256
Less current portion	780,425	96,744	-	877,169	510,823	97,448	-	608,271
<b>TOTAL LONG-TERM DEBT</b>	<b>760,379</b>	<b>1,565,000</b>	<b>-</b>	<b>2,325,379</b>	<b>1,164,169</b>	<b>1,660,816</b>	<b>-</b>	<b>2,824,985</b>
<b>TOTAL LIABILITIES</b>	<b>2,136,287</b>	<b>3,160,672</b>	<b>(158,897)</b>	<b>5,138,062</b>	<b>2,419,391</b>	<b>3,081,689</b>	<b>(157,404)</b>	<b>5,343,676</b>
<b>NET ASSETS (DEFICIT)</b>								
Invested in capital assets, net of related debt	127,618	175,429	-	303,047	307,529	122,207	-	429,736
Unrestricted (deficit)	106,312	(1,469,873)	-	(1,363,561)	(505,123)	(1,234,694)	-	(1,739,817)
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>233,930</b>	<b>(1,294,444)</b>	<b>-</b>	<b>(1,060,514)</b>	<b>(197,594)</b>	<b>(1,112,487)</b>	<b>-</b>	<b>(1,310,081)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,370,217</b>	<b>\$ 1,866,228</b>	<b>\$ (158,897)</b>	<b>\$ 4,077,548</b>	<b>\$ 2,221,797</b>	<b>\$ 1,969,202</b>	<b>\$ (157,404)</b>	<b>\$ 4,033,595</b>

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT)

YEARS ENDED JUNE 30, 2009 AND 2008

	2009				2008			
	WCNH	WCAL	ELIMINATIONS	TOTAL	WCNH	WCAL	ELIMINATIONS	TOTAL
<b>OPERATING REVENUES</b>								
Net resident service revenue, net of provision for bad debts	\$ 5,427,421	\$ 342,283	\$ -	\$ 5,769,704	\$ 4,846,105	\$ 371,892	\$ -	\$ 5,217,997
Other operating revenues	6,455	-	-	6,455	3,449	-	-	3,449
<b>TOTAL OPERATING REVENUES</b>	<b>5,433,876</b>	<b>342,283</b>	<b>-</b>	<b>5,776,159</b>	<b>4,849,554</b>	<b>371,892</b>	<b>-</b>	<b>5,221,446</b>
<b>OPERATING EXPENSES</b>								
Salaries and benefits	3,296,688	195,992	-	3,492,680	3,181,184	184,462	-	3,365,646
Supplies and other	1,312,962	119,241	-	1,432,203	1,391,841	97,152	-	1,488,993
Utilities	134,704	49,526	-	184,230	120,945	44,508	-	165,453
Depreciation	198,723	81,065	-	279,788	212,748	80,965	-	293,713
<b>TOTAL OPERATING EXPENSES</b>	<b>4,943,077</b>	<b>445,824</b>	<b>-</b>	<b>5,388,901</b>	<b>4,906,718</b>	<b>407,087</b>	<b>-</b>	<b>5,313,805</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>490,799</b>	<b>(103,541)</b>	<b>-</b>	<b>387,258</b>	<b>(57,164)</b>	<b>(35,195)</b>	<b>-</b>	<b>(92,359)</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>								
Interest income	10,165	333	(3,577)	6,921	9,934	308	(3,283)	6,959
Interest expense	(69,440)	(78,749)	3,577	(144,612)	(66,744)	(82,528)	3,283	(145,989)
<b>TOTAL NONOPERATING REVENUE (EXPENSE) - NET</b>	<b>(59,275)</b>	<b>(78,416)</b>	<b>-</b>	<b>(137,691)</b>	<b>(56,810)</b>	<b>(82,220)</b>	<b>-</b>	<b>(139,030)</b>
<b>CHANGE IN NET ASSETS</b>	<b>431,524</b>	<b>(181,957)</b>	<b>-</b>	<b>249,567</b>	<b>(113,974)</b>	<b>(117,415)</b>	<b>-</b>	<b>(231,389)</b>
<b>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</b>	<b>(197,594)</b>	<b>(1,112,487)</b>	<b>-</b>	<b>(1,310,081)</b>	<b>(83,620)</b>	<b>(995,072)</b>	<b>-</b>	<b>(1,078,692)</b>
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<b>\$ 233,930</b>	<b>\$ (1,294,444)</b>	<b>\$ -</b>	<b>\$ (1,060,514)</b>	<b>\$ (197,594)</b>	<b>\$ (1,112,487)</b>	<b>\$ -</b>	<b>\$ (1,310,081)</b>

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF CASH FLOWS

YEARS ENDED JUNE 30, 2009 AND 2008

	2009				2008			
	WCNH	WCAL	ELIMINATIONS	TOTAL	WCNH	WCAL	ELIMINATIONS	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Receipts from residents	\$ 5,108,562	\$ 342,283	\$ -	\$ 5,450,845	\$ 4,908,350	\$ 371,892	\$ -	\$ 5,280,242
Payments to suppliers	(1,702,069)	(92,217)	-	(1,794,286)	(1,682,443)	(60,155)	-	(1,742,598)
Payments to employees	(3,252,227)	(192,039)	-	(3,444,266)	(3,126,252)	(181,592)	-	(3,307,844)
Other receipts	6,455	-	-	6,455	3,449	-	-	3,449
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>160,721</b>	<b>58,027</b>	<b>-</b>	<b>218,748</b>	<b>103,104</b>	<b>130,145</b>	<b>-</b>	<b>233,249</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Proceeds from issuance of debt	-	-	-	-	100,000	-	-	100,000
Debt principal payments	(134,188)	-	-	(134,188)	(44,847)	-	-	(44,847)
Interest paid	(12,511)	-	-	(12,511)	(19,459)	-	-	(19,459)
<b>NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING</b>	<b>(146,699)</b>	<b>-</b>	<b>-</b>	<b>(146,699)</b>	<b>35,694</b>	<b>-</b>	<b>-</b>	<b>35,694</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Debt principal payments	-	(1,520)	-	(1,520)	(5,000)	(2,244)	-	(7,244)
Interest paid	(53,152)	(75,957)	3,577	(125,532)	(43,509)	(79,737)	3,283	(119,963)
Bond issue costs	-	-	-	-	(5,000)	-	-	(5,000)
Acquisition of capital assets	(5,722)	(3,001)	-	(8,723)	(5,189)	-	-	(5,189)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING</b>	<b>(58,874)</b>	<b>(80,478)</b>	<b>3,577</b>	<b>(135,775)</b>	<b>(58,698)</b>	<b>(81,981)</b>	<b>3,283</b>	<b>(137,396)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Payments received on notes receivable	1,654	-	-	1,654	1,590	-	-	1,590
Interest income	10,165	333	(3,577)	6,921	9,934	308	(3,283)	6,959
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>11,819</b>	<b>333</b>	<b>(3,577)</b>	<b>8,575</b>	<b>11,524</b>	<b>308</b>	<b>(3,283)</b>	<b>8,549</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(33,033)</b>	<b>(22,118)</b>	<b>-</b>	<b>(55,151)</b>	<b>91,624</b>	<b>48,472</b>	<b>-</b>	<b>140,096</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>476,161</b>	<b>52,917</b>	<b>-</b>	<b>529,078</b>	<b>384,537</b>	<b>4,445</b>	<b>-</b>	<b>388,982</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 443,128</b>	<b>\$ 30,799</b>	<b>\$ -</b>	<b>\$ 473,927</b>	<b>\$ 476,161</b>	<b>\$ 52,917</b>	<b>\$ -</b>	<b>\$ 529,078</b>

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

	2009				2008			
	WCNH	WCAL	ELIMINATIONS	TOTAL	WCNH	WCAL	ELIMINATIONS	TOTAL
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO</b>								
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>								
Income (loss) from operations	\$ 490,799	\$ (103,541)	\$ -	\$ 387,258	\$ (57,164)	\$ (35,195)	\$ -	\$ (92,359)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:								
Depreciation	198,723	81,065	-	279,788	212,748	80,965	-	293,713
Provision for bad debts	12,698	-	-	12,698	-	-	-	-
(Increase) decrease in:								
Accounts receivable and other receivables	(414,414)	-	-	(414,414)	63,708	-	-	63,708
Intrafund receivable (payable)	(1,493)	1,493	-	-	(1,175)	1,175	-	-
Prepaid expenses	25,049	-	-	25,049	(10,397)	-	-	(10,397)
Inventories	(1,725)	-	-	(1,725)	(1,874)	-	-	(1,874)
Increase (decrease) in:								
Accounts payable	11,361	1,634	-	12,995	(81,579)	2,930	-	(78,649)
Accrued expenses and other liabilities	97,614	3,953	-	101,567	54,932	2,870	-	57,802
Due to State of Tennessee	(227,414)	-	-	(227,414)	(254,632)	-	-	(254,632)
Due to U.S. Department of Justice	(45,000)	-	-	(45,000)	180,000	-	-	180,000
Due to Wayne County, Tennessee	-	73,423	-	73,423	-	77,400	-	77,400
Patients' trust fund	14,523	-	-	14,523	(1,463)	-	-	(1,463)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 160,721</b>	<b>\$ 58,027</b>	<b>\$ -</b>	<b>\$ 218,748</b>	<b>\$ 103,104</b>	<b>\$ 130,145</b>	<b>\$ -</b>	<b>\$ 233,249</b>
<b>SCHEDULE OF NONCASH TRANSACTIONS:</b>								
Amortization of bond issue costs included in interest expense	\$ 3,777	\$ 2,792	\$ -	\$ 6,569	\$ 3,776	\$ 2,791	\$ -	\$ 6,567
Payments on long-term-debt by Wayne County	-	95,000	-	95,000	-	90,000	-	90,000

OTHER REPORT.



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 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*

Wayne County General Hospital Board of Trustees  
Wayne County Retirement Facilities  
Waynesboro, Tennessee

We have audited the accompanying financial statements of Wayne County Retirement Facilities (the "Facilities"), a component unit of Wayne County, Tennessee, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 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 (CONTINUED)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Facilities' 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*.

We noted certain other matters that we reported to management of Wayne County Retirement Facilities in a separate letter dated November 25, 2009.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

*Kraft CPAs PLLC*

Columbia, Tennessee  
November 25, 2009