

WAYNE COUNTY RETIREMENT FACILITIES

WAYNESBORO, TENNESSEE

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2012 AND 2011

WAYNE COUNTY RETIREMENT FACILITIES

WAYNESBORO, TENNESSEE

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2012 AND 2011

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT .....	1 - 2
FINANCIAL STATEMENTS	
Statements of Net Assets .....	3
Statements of Revenues, Expenses, and Changes in Net Assets .....	4
Statements of Cash Flows .....	5 - 6
Notes to Financial Statements .....	7 - 19
ADDITIONAL INFORMATION	
Combining Schedules of Net Assets .....	20
Combining Schedules of Revenues, Expenses, and Changes in Net Assets .....	21
Combining Schedules of Cash Flows .....	22 - 23
OTHER REPORT	
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 <i>Government Auditing Standards</i> .....	24 - 25



## INDEPENDENT AUDITOR'S REPORT

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, 2012 and 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Facilities' internal control over financial reporting. Accordingly, we express no such opinion. 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.

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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2013, 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 on pages 20-23 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 PLLC*

Columbia, Tennessee  
July 1, 2013

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF NET ASSETS

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 342,189	\$ 652,913
Resident accounts receivable, net of allowance for uncollectible accounts of \$25,000 in 2012 and \$79,030 in 2011	652,712	696,525
Notes receivable - current portion	1,894	1,865
Prepaid insurance	24,723	43,733
Inventories	48,978	57,498
TOTAL CURRENT ASSETS	<u>1,070,496</u>	<u>1,452,534</u>
ASSETS LIMITED AS TO USE		
Cash and cash equivalents - restricted	<u>16,253</u>	<u>14,006</u>
TOTAL ASSETS LIMITED AS TO USE	<u>16,253</u>	<u>14,006</u>
OTHER ASSETS		
Bond issue costs, net of accumulated amortization	36,336	40,015
Notes receivable, excluding current portion	45,629	47,521
TOTAL OTHER ASSETS	<u>81,965</u>	<u>87,536</u>
LAND, BUILDING AND EQUIPMENT - at cost, net of accumulated depreciation	<u>2,541,036</u>	<u>2,718,374</u>
TOTAL ASSETS	<u>3,709,750</u>	<u>4,272,450</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES (Payable from unrestricted assets)		
Accounts payable	128,815	133,765
Accrued expenses and other liabilities	467,351	542,172
Due to Maury Regional Hospital	36,062	75,044
Due to Wayne County, Tennessee	2,428,047	2,248,187
Current portion of long-term debt	522,308	611,434
TOTAL CURRENT LIABILITIES	<u>3,582,583</u>	<u>3,610,602</u>
CURRENT LIABILITIES (Payable from assets limited as to use)		
Patients' trust fund	<u>16,253</u>	<u>14,006</u>
LONG-TERM DEBT		
Notes and bonds payable	2,302,308	2,516,434
Less current portion	522,308	611,434
TOTAL LONG-TERM DEBT	<u>1,780,000</u>	<u>1,905,000</u>
TOTAL LIABILITIES	<u>5,378,836</u>	<u>5,529,608</u>
NET ASSETS		
Invested in capital assets, net of related debt	676,051	639,375
Unrestricted (deficit)	<u>(2,345,137)</u>	<u>(1,896,533)</u>
TOTAL NET ASSETS	<u>\$ (1,669,086)</u>	<u>\$ (1,257,158)</u>

See accompanying notes to financial statements.

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Net resident service revenue, net of provision for bad debts of \$186,548 and \$44,032, respectively	\$ 7,584,279	\$ 7,441,771
Other operating revenues	<u>47,991</u>	<u>33,151</u>
<b>TOTAL OPERATING REVENUES</b>	<u>7,632,270</u>	<u>7,474,922</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	5,435,533	5,268,211
Supplies and other	2,081,755	1,905,744
Utilities	245,149	250,142
Depreciation	<u>177,338</u>	<u>225,143</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>7,939,775</u>	<u>7,649,240</u>
<b>LOSS FROM OPERATIONS</b>	<u>(307,505)</u>	<u>(174,318)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Interest income	4,227	5,737
Interest expense	<u>(108,650)</u>	<u>(119,557)</u>
<b>TOTAL NONOPERATING EXPENSE - NET</b>	<u>(104,423)</u>	<u>(113,820)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	(411,928)	(288,138)
Equipment and building improvements contributed by Maury Regional Hospital	<u>-</u>	<u>90,313</u>
<b>CHANGE IN NET ASSETS</b>	(411,928)	(197,825)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>(1,257,158)</u>	<u>(1,059,333)</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ (1,669,086)</u>	<u>\$ (1,257,158)</u>

See accompanying notes to financial statements.

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from residents	\$ 7,591,357	\$ 7,315,928
Payments to suppliers	(2,302,299)	(2,182,574)
Payments to employees	(5,509,458)	(4,981,109)
Other receipts	<u>47,991</u>	<u>33,151</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(172,409)</u>	<u>185,396</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Debt principal payments	-	(93,743)
Proceeds from notes payable	-	182,500
Interest paid	<u>(7,300)</u>	<u>(3,398)</u>
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>(7,300)</u>	<u>85,359</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt principal payments	(95,004)	-
Interest paid	(39,854)	(68,879)
Acquisition of capital assets	<u>-</u>	<u>(4,872)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(134,858)</u>	<u>(73,751)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on notes receivable	1,863	1,792
Interest income	<u>4,227</u>	<u>5,737</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>6,090</u>	<u>7,529</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(308,477)	204,533
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>666,919</u>	<u>462,386</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 358,442</u>	<u>\$ 666,919</u>

See accompanying notes to financial statements.

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Income (loss) from operations	\$ (307,505)	\$ (174,318)
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:		
Depreciation	177,338	225,143
Provision for bad debts	186,548	44,032
(Increase) decrease in:		
Accounts receivable and other receivables	(142,735)	(238,924)
Prepaid expenses	19,010	(22,354)
Inventories	8,520	(31,980)
Increase (decrease) in:		
Accounts payable	(4,950)	19,064
Accrued expenses and other liabilities	(71,900)	287,102
Due to U.S. Department of Justice	-	-
Due to Maury Regional Hospital	(38,982)	75,044
Patients' trust fund	<u>2,247</u>	<u>2,587</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (172,409)</u>	<u>\$ 185,396</u>
 SCHEDULE OF NONCASH TRANSACTIONS:		
Amortization of bond issue costs included in interest expense	\$ 3,679	\$ 6,568
Long-term debt and interest payments by Wayne County	260,630	165,145
Equipment and building improvements contributed by Maury Regional Hospital	-	90,313

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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, were comprised of two divisions, the Wayne County Nursing Home ("WCNH") and the Wayne County Assisted Living Facility ("WCAL") during year ended June 30, 2010.

As of July 1, 2010, the Wayne County Hospital Board of Trustees assumed responsibility for operation of another nursing home facility in Wayne County, Tennessee, Wayne Care Nursing Home ("WCare"). The facility had previously been operated by Maury Regional Hospital ("MRH") under an operating lease of Wayne Medical Center and Wayne Care Nursing Home. On June 30, 2010, the lease of the nursing home WCare to MRH was terminated and Wayne County transferred responsibility for operation of the nursing home to the Wayne County Hospital Board of Trustees. The building occupied by WCare is owned by Wayne County, Tennessee. All equipment utilized in the Wayne Cares Nursing Home and building improvements were transferred to the Facilities. Equipment transferred had a depreciated value of \$38,935 and building improvements had a depreciated value of \$51,378. These values approximate market value. The Board continues to operate WCare as a 46 bed intermediate care nursing facility. Under accounting principles generally accepted in the United States of America, the Facilities collectively constitute a component unit 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.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2012 or 2011.

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 Intermediate Care Program (the "Medicaid Program"). The percentage of resident service revenue attributable to this program was approximately 78% for 2012 (80% for 2011).

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.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of net assets and are eliminated in the government-wide financial statements of the County. Intrafund receivables and payables are eliminated on the statement of net assets.

Assets limited as to use

Assets limited as to use consist of restricted cash held in resident trust accounts.

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 \$3,679 in 2012 (\$3,679 in 2011) 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.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Program which 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.

Net assets

The net assets of the Facilities is broken down into three categories: (1) net investment in capital assets, (2) restricted for debt service and (3) unrestricted.

- Net investment in capital assets consist of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt that are attributable to the acquisition, construction or improvement of those assets.
- Restricted for debt service represents net assets which can only be used for future debt payments. The Facilities currently have no net assets restricted for debt service.
- Unrestricted net assets does not meet the definition of net investment in capital assets or restricted for debt service.

When both restricted and unrestricted resources are available for use, it is the Facilities' policy to use restricted first, and then unrestricted resources when they are needed.

Reclassifications

Certain reclassifications have been made in the 2011 financial statements to conform to the 2012 presentation. These reclassifications had no effect on the results of operations previously reported.

Recent accounting pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, is required for fiscal periods beginning after December 15, 2011. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance, included in certain FASB and AICPA pronouncements issued prior to November 30, 1989, which does not conflict with or contradict GASB pronouncements. Management does not expect adoption of this Statement to have a material effect on the Facilities' financial condition or results of operations.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent accounting pronouncements (continued)

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is required for fiscal periods beginning after December 15, 2011. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. Management does not expect the adoption of this statement to have a material impact on the financial statements.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2012, the Facilities' cash and cash equivalents amounted to \$358,442. Bank balances for such amounts totaled \$430,231, of which \$60,375 was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining balance was secured by collateral held by the Facilities' Agent in the Facilities' name.

NOTE 3 - NOTES RECEIVABLE

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

	<u>2012</u>	<u>2011</u>
Note receivable, due in monthly installments of principal and interest (at 4.0%) of \$150 through December 2022.	\$ 15,425	\$ 16,583
Note receivable, due in monthly installments of principal and interest (at 4.0%) of \$167 through January 2038.	<u>32,098</u>	<u>32,803</u>
	47,523	49,386
Less current portion	<u>(1,894)</u>	<u>(1,865)</u>
	<u>\$ 45,629</u>	<u>\$ 47,521</u>

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

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, 2012, 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	4,313,224	-	-	4,313,224
Furniture and equipment	1,934,405	-	-	1,934,405
Automobiles	28,873	-	-	28,873
	<u>6,276,502</u>	<u>-</u>	<u>-</u>	<u>6,276,502</u>
Less accumulated depreciation:				
Buildings and improvements	2,283,855	103,066	-	2,386,921
Furniture and equipment	1,357,300	74,272	-	1,431,572
Automobiles	28,873	-	-	28,873
	<u>3,670,028</u>	<u>177,338</u>	<u>-</u>	<u>3,847,366</u>
Total capital assets, being depreciated, net	<u>2,606,474</u>	<u>(177,338)</u>	<u>-</u>	<u>2,429,136</u>
Total capital assets, net	<u>\$2,718,374</u>	<u>\$ (177,338)</u>	<u>\$ -</u>	<u>\$2,541,036</u>

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

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, 2011, 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	4,261,841	51,383	-	4,313,224
Furniture and equipment	1,890,603	43,802	-	1,934,405
Automobiles	<u>28,873</u>	<u>-</u>	<u>-</u>	<u>28,873</u>
	<u>6,181,317</u>	<u>95,185</u>	<u>-</u>	<u>6,276,502</u>
Less accumulated depreciation:				
Buildings and improvements	2,154,963	128,892	-	2,283,855
Furniture and equipment	1,261,049	96,251	-	1,357,300
Automobiles	<u>28,873</u>	<u>-</u>	<u>-</u>	<u>28,873</u>
	<u>3,444,885</u>	<u>225,143</u>	<u>-</u>	<u>3,670,028</u>
Total capital assets, being depreciated, net	<u>2,736,432</u>	<u>(129,958)</u>	<u>-</u>	<u>2,606,474</u>
Total capital assets, net	<u>\$ 2,848,332</u>	<u>\$ (129,958)</u>	<u>\$ -</u>	<u>\$ 2,718,374</u>

Depreciation expense amounted to \$177,338 in 2012 (\$225,143 in 2011).

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 5 - INTERFUND PAYABLES

Amounts due to Wayne County consist of payments by the County on behalf of WCNH and WCAL, a demand loan related to the purchase of a house on property adjoining WCNH, and other operating advances as detailed in the schedules below. There are no formal agreements dictating repayment terms and interest has not been accrued.

A summary of amounts due to Wayne County for the year ended June 30, 2012 follows:

	<u>WCNH</u>	<u>WCAL</u>	<u>Total</u>
Cumulative payments on bonds or notes payable for retirement facilities by Wayne County	\$ 592,169	\$ 890,000	\$ 1,482,169
Demand loan related to purchase of house	48,000	-	48,000
Other operating advances	<u>-</u>	<u>897,878</u>	<u>897,878</u>
Total Due to Wayne County	<u>\$ 640,169</u>	<u>\$ 1,787,878</u>	<u>\$ 2,428,047</u>

A summary of amounts due to Wayne County for the year ended June 30, 2011 follows:

	<u>WCNH</u>	<u>WCAL</u>	<u>Total</u>
Cumulative payments on bonds or notes payable for retirement facilities by Wayne County	\$ 578,047	\$ 785,000	\$ 1,363,047
Demand loan related to purchase of house	48,000	-	48,000
Other operating advances	<u>-</u>	<u>837,140</u>	<u>837,140</u>
Total Due to Wayne County	<u>\$ 626,047</u>	<u>\$ 1,622,140</u>	<u>\$ 2,248,187</u>

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 6 - NOTES AND BONDS PAYABLE

Changes in long-term debt were as follows for the year ended June 30, 2012:

	<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 was made on February 1, 2012.	\$ 94,014	\$ -	\$ 94,014	\$ -	\$ -
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.	560,000	-	15,000	545,000	15,000
Nursing Home 6.00% demand note payable to a bank, if no demand then principal and interest due on maturity. Subsequent to year end, the note was renewed and will mature on December 27, 2013.	85,000	-	112	84,888	84,888
Nursing Home 7.5% demand note payable to a bank, if no demand then principal and interest due on maturity. Subsequent to year end, the note was renewed and will mature on February 6, 2014.	129,920	-	-	129,920	129,920
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.	1,465,000	-	105,000	1,360,000	110,000
WCare 4.00% demand note payable to a bank, if no demand then principal and interest due on maturity. Subsequent to year end, the note was renewed and the balance was increased to \$112,500 and will mature on February 25, 2014.	70,000	-	-	70,000	70,000
WCare 4.00% demand note payable to a bank, if no demand then principal and interest due on January 15, 2014.	<u>112,500</u>	<u>-</u>	<u>-</u>	<u>112,500</u>	<u>112,500</u>
Total notes and bonds payable	<u>\$2,516,434</u>	<u>\$ -</u>	<u>\$ 214,126</u>	<u>\$2,302,308</u>	<u>\$ 522,308</u>

\*Retirements include amounts paid by Wayne County on behalf of WCNH and WCAL

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 6 - NOTES AND BONDS PAYABLE (CONTINUED)

Changes in long-term debt were as follows for the year ended June 30, 2011:

	<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.	\$ 185,379	\$ -	\$ 91,365	\$ 94,014	\$ 94,014
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.	575,000	-	15,000	560,000	15,000
Nursing Home 6.00% demand note payable to a bank, if no demand then principal and interest due on maturity. Subsequent to year end, the note was renewed and will mature on December 27, 2013.	85,000	-	-	85,000	85,000
Nursing Home 7.5% demand note payable to a bank, if no demand then principal and interest due on maturity. Subsequent to year end, the note was renewed and will mature on February 6, 2014.	129,920	-	-	129,920	129,920
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.	1,565,000	-	100,000	1,465,000	105,000
WCare 4.00% demand note payable to a bank, if no demand then principal and interest due on maturity. Subsequent to year end, the note was renewed and the balance was increased to \$112,500 and will mature on February 25, 2014.	-	70,000	-	70,000	70,000
WCare 4.00% demand note payable to a bank, if no demand then principal and interest due on January 15, 2014.	-	112,500	-	112,500	112,500
<b>Total notes and bonds payable</b>	<u>\$2,540,299</u>	<u>\$182,500</u>	<u>\$ 206,365</u>	<u>\$2,516,434</u>	<u>\$ 611,434</u>

\*Retirements include amounts paid by Wayne County on behalf of WCNH and WCAL

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 6 - NOTES AND BONDS PAYABLE (CONTINUED)

A schedule of annual principal maturities of notes and bonds payable as of June 30, 2012, follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 522,308	\$ 88,236
2014	130,000	71,202
2015	140,000	65,388
2016	150,000	59,155
2017	155,000	52,606
2018 - 2033	<u>1,205,000</u>	<u>216,962</u>
	<u>\$ 2,302,308</u>	<u>\$ 553,549</u>

NOTE 7 - 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 \$249,252 in 2012 (\$225,869 in 2011.)

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/>.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 7 - PENSION PLAN (CONTINUED)

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 5.98% for the fiscal year ended June 30, 2012 (7.43% for 2011). 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.

NOTE 8 - SELF INSURANCE

WCNH and WCare are self-insured for employee health insurance. However, the two divisions have purchased commercial insurance to cover claims in excess of \$5,000 per person or \$10,000 per family annually and as well as an aggregate annual amount for all employees. WCNH and WCare recognize claims actually filed as an expense. Changes in the reported liability for the years ended June 30, 2012 and 2011 are as follows:

	<u>Fiscal Year</u>			
	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2012	\$ 15,432	\$ 271,996	\$ 257,161	\$ 30,267
2011	\$ 9,500	\$ 151,333	\$ 145,401	\$ 15,432

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

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' change in net assets or financial condition. Accordingly, no liability for any such loss has been provided.

NOTE 10 - DEFICIT NET ASSETS

The Facilities have a deficit unrestricted net assets of \$2,345,137 at June 30, 2012 (\$1,896,533 in 2011) and a total deficit net assets of \$1,669,086 at June 30, 2012 (\$1,257,158 in 2011).

ADDITIONAL INFORMATION

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF NET ASSETS

JUNE 30, 2012 AND 2011

ASSETS	JUNE 30, 2012					JUNE 30, 2011				
	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL
<b>CURRENT ASSETS</b>										
Cash and cash equivalents - unrestricted	\$ 306,410	\$ 10,028	\$ 25,751	\$ -	\$ 342,189	\$ 452,525	\$ 16,880	\$ 183,508	\$ -	\$ 652,913
Resident accounts receivable, net of allowance for uncollectible accounts	431,026	-	221,686	-	652,712	471,138	-	225,387	-	696,525
Intrafund receivable	214,373	-	-	(214,373)	-	198,893	-	-	(198,893)	-
Notes receivable - current portion	1,894	-	-	-	1,894	1,865	-	-	-	1,865
Prepaid insurance	20,260	-	4,463	-	24,723	43,724	-	9	-	43,733
Inventories	25,352	-	23,626	-	48,978	23,698	-	33,800	-	57,498
<b>TOTAL CURRENT ASSETS</b>	<b>999,315</b>	<b>10,028</b>	<b>275,526</b>	<b>(214,373)</b>	<b>1,070,496</b>	<b>1,191,843</b>	<b>16,880</b>	<b>442,704</b>	<b>(198,893)</b>	<b>1,452,534</b>
<b>ASSETS LIMITED AS TO USE</b>										
Cash and cash equivalents - restricted	15,191	-	1,062	-	16,253	13,723	-	283	-	14,006
<b>TOTAL ASSETS LIMITED AS TO USE</b>	<b>15,191</b>	<b>-</b>	<b>1,062</b>	<b>-</b>	<b>16,253</b>	<b>13,723</b>	<b>-</b>	<b>283</b>	<b>-</b>	<b>14,006</b>
<b>OTHER ASSETS</b>										
Bond issue costs, net of accumulated amortization	8,424	27,912	-	-	36,336	9,311	30,704	-	-	40,015
Notes receivable, excluding current portion	45,629	-	-	-	45,629	47,521	-	-	-	47,521
<b>TOTAL OTHER ASSETS</b>	<b>54,053</b>	<b>27,912</b>	<b>-</b>	<b>-</b>	<b>81,965</b>	<b>56,832</b>	<b>30,704</b>	<b>-</b>	<b>-</b>	<b>87,536</b>
<b>LAND, BUILDING AND EQUIPMENT - at cost, net of accumulated depreciation</b>	<b>847,458</b>	<b>1,632,577</b>	<b>61,001</b>	<b>-</b>	<b>2,541,036</b>	<b>956,041</b>	<b>1,687,120</b>	<b>75,213</b>	<b>-</b>	<b>2,718,374</b>
<b>TOTAL ASSETS</b>	<b>1,916,017</b>	<b>1,670,517</b>	<b>337,589</b>	<b>(214,373)</b>	<b>3,709,750</b>	<b>2,218,439</b>	<b>1,734,704</b>	<b>518,200</b>	<b>(198,893)</b>	<b>4,272,450</b>
<b>LIABILITIES AND NET ASSETS</b>										
<b>CURRENT LIABILITIES (Payable from unrestricted assets)</b>										
Accounts payable	\$ 90,024	\$ 9,494	\$ 29,297	\$ -	\$ 128,815	\$ 75,129	\$ 10,631	\$ 48,005	\$ -	\$ 133,765
Accrued expenses and other liabilities	291,157	25,651	150,543	-	467,351	358,517	24,952	158,703	-	542,172
Due to Maury Regional Hospital	-	-	36,062	-	36,062	-	-	75,044	-	75,044
Intrafund payable	-	214,373	-	(214,373)	-	-	198,893	-	(198,893)	-
Due to Wayne County, Tennessee	640,169	1,787,878	-	-	2,428,047	626,047	1,622,140	-	-	2,248,187
Current portion of long-term debt	229,808	110,000	182,500	-	522,308	323,934	105,000	182,500	-	611,434
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,251,158</b>	<b>2,147,396</b>	<b>398,402</b>	<b>(214,373)</b>	<b>3,582,583</b>	<b>1,383,627</b>	<b>1,961,616</b>	<b>464,252</b>	<b>(198,893)</b>	<b>3,610,602</b>
<b>CURRENT LIABILITIES (Payable from assets limited as to use)</b>										
Patients' trust fund	15,191	-	1,062	-	16,253	13,723	-	283	-	14,006
<b>LONG-TERM DEBT</b>										
Notes and bonds payable	759,808	1,360,000	182,500	-	2,302,308	868,934	1,465,000	182,500	-	2,516,434
Less current portion	229,808	110,000	182,500	-	522,308	323,934	105,000	182,500	-	611,434
<b>TOTAL LONG-TERM DEBT</b>	<b>530,000</b>	<b>1,250,000</b>	<b>-</b>	<b>-</b>	<b>1,780,000</b>	<b>545,000</b>	<b>1,360,000</b>	<b>-</b>	<b>-</b>	<b>1,905,000</b>
<b>TOTAL LIABILITIES</b>	<b>1,796,349</b>	<b>3,397,396</b>	<b>399,464</b>	<b>(214,373)</b>	<b>5,378,836</b>	<b>1,942,350</b>	<b>3,321,616</b>	<b>464,535</b>	<b>(198,893)</b>	<b>5,529,608</b>
<b>NET ASSETS</b>										
Invested in capital assets, net of related debt	311,769	303,281	61,001	-	676,051	311,338	252,824	75,213	-	639,375
Unrestricted (deficit)	(192,101)	(2,030,160)	(122,876)	-	(2,345,137)	(35,249)	(1,839,736)	(21,548)	-	(1,896,533)
<b>TOTAL NET ASSETS</b>	<b>\$ 119,668</b>	<b>\$ (1,726,879)</b>	<b>\$ (61,875)</b>	<b>\$ -</b>	<b>\$ (1,669,086)</b>	<b>\$ 276,089</b>	<b>\$ (1,586,912)</b>	<b>\$ 53,665</b>	<b>\$ -</b>	<b>\$ (1,257,158)</b>

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2012 AND 2011

	2012					2011				
	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL
<b>OPERATING REVENUES</b>										
Net resident service revenue, net of provision for bad debts	\$ 5,086,750	\$ 352,174	\$ 2,145,355	\$ -	\$ 7,584,279	\$ 4,974,922	\$ 328,712	\$ 2,138,137	\$ -	\$ 7,441,771
Other operating revenues	20,752	-	27,239	-	47,991	5,940	-	27,211	-	33,151
<b>TOTAL OPERATING REVENUES</b>	<b>5,107,502</b>	<b>352,174</b>	<b>2,172,594</b>	<b>-</b>	<b>7,632,270</b>	<b>4,980,862</b>	<b>328,712</b>	<b>2,165,348</b>	<b>-</b>	<b>7,474,922</b>
<b>OPERATING EXPENSES</b>										
Salaries and benefits	3,629,034	237,812	1,568,687	-	5,435,533	3,514,918	222,571	1,530,722	-	5,268,211
Supplies and other	1,349,993	95,168	636,594	-	2,081,755	1,230,063	92,827	582,854	-	1,905,744
Utilities	141,525	42,383	61,241	-	245,149	140,302	42,965	66,875	-	250,142
Depreciation	108,583	54,543	14,212	-	177,338	154,521	55,522	15,100	-	225,143
<b>TOTAL OPERATING EXPENSES</b>	<b>5,229,135</b>	<b>429,906</b>	<b>2,280,734</b>	<b>-</b>	<b>7,939,775</b>	<b>5,039,804</b>	<b>413,885</b>	<b>2,195,551</b>	<b>-</b>	<b>7,649,240</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>(121,633)</b>	<b>(77,732)</b>	<b>(108,140)</b>	<b>-</b>	<b>(307,505)</b>	<b>(58,942)</b>	<b>(85,173)</b>	<b>(30,203)</b>	<b>-</b>	<b>(174,318)</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>										
Interest income	4,061	166	-	-	4,227	6,773	160	-	(1,196)	5,737
Interest expense	(38,849)	(62,401)	(7,400)	-	(108,650)	(46,251)	(68,057)	(6,445)	1,196	(119,557)
<b>TOTAL NONOPERATING REVENUE (EXPENSE) - NET</b>	<b>(34,788)</b>	<b>(62,235)</b>	<b>(7,400)</b>	<b>-</b>	<b>(104,423)</b>	<b>(39,478)</b>	<b>(67,897)</b>	<b>(6,445)</b>	<b>-</b>	<b>(113,820)</b>
Equipment and building improvements contributed by Maury Regional Hospital	-	-	-	-	-	-	-	90,313	-	90,313
<b>CHANGE IN NET ASSETS</b>	<b>(156,421)</b>	<b>(139,967)</b>	<b>(115,540)</b>	<b>-</b>	<b>(411,928)</b>	<b>(98,420)</b>	<b>(153,070)</b>	<b>53,665</b>	<b>-</b>	<b>(197,825)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>276,089</b>	<b>(1,586,912)</b>	<b>53,665</b>	<b>-</b>	<b>(1,257,158)</b>	<b>374,509</b>	<b>(1,433,842)</b>	<b>-</b>	<b>-</b>	<b>(1,059,333)</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 119,668</b>	<b>\$ (1,726,879)</b>	<b>\$ (61,875)</b>	<b>\$ -</b>	<b>\$ (1,669,086)</b>	<b>\$ 276,089</b>	<b>\$ (1,586,912)</b>	<b>\$ 53,665</b>	<b>\$ -</b>	<b>\$ (1,257,158)</b>

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	2012					2011				
	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Receipts from residents	\$ 5,128,330	\$ 352,174	\$ 2,110,853	\$ -	\$ 7,591,357	\$ 4,997,433	\$ 330,418	\$ 1,988,077	\$ -	\$ 7,315,928
Payments to suppliers	(1,470,293)	(121,183)	(710,823)	-	(2,302,299)	(1,438,737)	(108,304)	(635,533)	-	(2,182,574)
Payments to employees	(3,694,502)	(238,009)	(1,576,947)	-	(5,509,458)	(3,383,972)	(222,071)	(1,375,066)	-	(4,981,109)
Other receipts	20,752	-	27,239	-	47,991	5,940	-	27,211	-	33,151
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(15,713)</b>	<b>(7,018)</b>	<b>(149,678)</b>	<b>-</b>	<b>(172,409)</b>	<b>180,664</b>	<b>43</b>	<b>4,689</b>	<b>-</b>	<b>185,396</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>										
Debt principal payments	-	-	-	-	-	(93,743)	-	-	-	(93,743)
Proceeds from notes payable	-	-	-	-	-	-	-	182,500	-	182,500
Interest paid	-	-	(7,300)	-	(7,300)	-	-	(3,398)	-	(3,398)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>(7,300)</b>	<b>-</b>	<b>(7,300)</b>	<b>(93,743)</b>	<b>-</b>	<b>179,102</b>	<b>-</b>	<b>85,359</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>										
Debt principal payments	(95,004)	-	-	-	(95,004)	-	-	-	-	-
Interest paid	(39,854)	-	-	-	(39,854)	(68,878)	(1,197)	-	1,196	(68,879)
Acquisition of capital assets	-	-	-	-	-	(4,872)	-	-	-	(4,872)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(134,858)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(134,858)</b>	<b>(73,750)</b>	<b>(1,197)</b>	<b>-</b>	<b>1,196</b>	<b>(73,751)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Payments received on notes receivable	1,863	-	-	-	1,863	1,792	-	-	-	1,792
Interest income	4,061	166	-	-	4,227	6,773	160	-	(1,196)	5,737
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>5,924</b>	<b>166</b>	<b>-</b>	<b>-</b>	<b>6,090</b>	<b>8,565</b>	<b>160</b>	<b>-</b>	<b>(1,196)</b>	<b>7,529</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(144,647)</b>	<b>(6,852)</b>	<b>(156,978)</b>	<b>-</b>	<b>(308,477)</b>	<b>21,736</b>	<b>(994)</b>	<b>183,791</b>	<b>-</b>	<b>204,533</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>466,248</b>	<b>16,880</b>	<b>183,791</b>	<b>-</b>	<b>666,919</b>	<b>444,512</b>	<b>17,874</b>	<b>-</b>	<b>-</b>	<b>462,386</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 321,601</b>	<b>\$ 10,028</b>	<b>\$ 26,813</b>	<b>\$ -</b>	<b>\$ 358,442</b>	<b>\$ 466,248</b>	<b>\$ 16,880</b>	<b>\$ 183,791</b>	<b>\$ -</b>	<b>\$ 666,919</b>

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

	2012					2011				
	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES										
Income (loss) from operations	\$ (121,633)	\$ (77,732)	\$ (108,140)	\$ -	\$ (307,505)	\$ (58,942)	\$ (85,173)	\$ (30,203)	\$ -	\$ (174,318)
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:										
Depreciation	108,583	54,543	14,212	-	177,338	154,521	55,522	15,100	-	225,143
Provision for bad debts	20,349	-	166,199	-	186,548	44,032	-	-	-	44,032
(Increase) decrease in:										
Accounts receivable and other receivables	19,763	-	(162,498)	-	(142,735)	(15,243)	1,706	(225,387)	-	(238,924)
Intrafund receivable (payable)	(15,480)	15,480	-	-	-	(47,369)	47,369	-	-	-
Prepaid expenses	23,464	-	(4,454)	-	19,010	(22,345)	-	(9)	-	(22,354)
Inventories	(1,654)	-	10,174	-	8,520	1,820	-	(33,800)	-	(31,980)
Increase (decrease) in:										
Accounts payable	14,895	(1,137)	(18,708)	-	(4,950)	(9,060)	(19,881)	48,005	-	19,064
Accrued expenses and other liabilities	(65,468)	1,828	(8,260)	-	(71,900)	130,946	500	155,656	-	287,102
Due to Maury Regional Hospital	-	-	(38,982)	-	(38,982)	-	-	75,044	-	75,044
Due to U.S. Department of Justice	-	-	-	-	-	-	-	-	-	-
Patients' trust fund	1,468	-	779	-	2,247	2,304	-	283	-	2,587
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ (15,713)</b>	<b>\$ (7,018)</b>	<b>\$ (149,678)</b>	<b>\$ -</b>	<b>\$ (172,409)</b>	<b>\$ 180,664</b>	<b>\$ 43</b>	<b>\$ 4,689</b>	<b>\$ -</b>	<b>\$ 185,396</b>
SCHEDULE OF NONCASH TRANSACTIONS:										
Amortization of bond issue costs included in interest expense	\$ 887	\$ 2,792	\$ -	\$ -	\$ 3,679	\$ 3,777	\$ 2,791	\$ -	\$ -	\$ 6,568
Long term debt and interest payments by Wayne County	94,892	165,738	-	-	260,630	-	165,145	-	-	165,145
Equipment and building improvements contributed by Maury Regional Hospital	-	-	-	-	-	-	-	90,313	-	90,313

OTHER REPORT



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*

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

We have audited the 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, 2012, and have issued our report thereon dated July 1, 2013. 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

Management of the Facilities is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below to be a material weakness.

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*  
(CONTINUED)

Finding

Wayne Care - The revenue cycle for Wayne Care does not include segregation of duties. There is only one employee involved in billing and posting payments on accounts receivable with no adequate oversight or involvement from another employee. During our testing of subsequent receipts of amounts receivable by Wayne Care at year end, it was noted that payments received are not matched to the invoices outstanding and past due accounts are not adequately tracked. Wayne Care does not maintain an aging of accounts receivable which would allow them to track accounts receivable requiring follow up. An analysis of the outstanding receivables at the end of the fiscal year resulted in a significant addition to bad debt expense.

We recommend that the responsibilities for billing and posting payments be assigned to different individuals. In addition, we recommend that that receipts be matched to invoices as payments are received and that an aging of the amounts outstanding be maintained and reviewed to allow for prompt follow up on unpaid invoices.

Management's response

Management will review the procedures used in billing and receiving payments and segregate the responsibilities to the extent possible. We will also develop a process to track the age of the invoices not paid so that we can follow up promptly on unpaid invoices.

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*.

Wayne County Retirement Facilities' response to the finding identified in our audit is described previously. We did not audit the Facilities' response and, accordingly, we express no opinion on it.

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  
July 1, 2013