

WAYNE COUNTY RETIREMENT FACILITIES

WAYNESBORO, TENNESSEE

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying statements of net position of the Wayne County Retirement Facilities (the "Facilities"), a component unit of Wayne County, Tennessee, as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position 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.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our 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 from material misstatement.

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

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

OPINION

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Wayne County Retirement Facilities as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

OTHER MATTERS

The Facilities have not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Additionally, the Facilities have not presented certain supplementary information required by the *Audit Manual* issued by the State of Tennessee Department of Audit. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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.

The additional information on pages 20-23 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information on pages 20-23 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014, 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* in considering the Facilities internal control over financial reporting and compliance.



Columbia, Tennessee
November 6, 2014

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF NET POSITION

JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 211,153	\$ 342,189
Resident accounts receivable, net of allowance for uncollectible accounts of \$10,000 in 2013 and \$25,000 in 2012	697,314	652,712
Notes receivable - current portion	1,894	1,894
Prepaid insurance	38,781	24,723
Inventories	52,408	48,978
TOTAL CURRENT ASSETS	<u>1,001,550</u>	<u>1,070,496</u>
ASSETS LIMITED AS TO USE		
Cash and cash equivalents - restricted	<u>30,347</u>	<u>16,253</u>
TOTAL ASSETS LIMITED AS TO USE	<u>30,347</u>	<u>16,253</u>
OTHER ASSETS		
Bond issue costs, net of accumulated amortization	33,102	36,336
Notes receivable, excluding current portion	<u>43,687</u>	<u>45,629</u>
TOTAL OTHER ASSETS	<u>76,789</u>	<u>81,965</u>
LAND, BUILDING AND EQUIPMENT - at cost, net of accumulated depreciation		
	<u>2,367,259</u>	<u>2,541,036</u>
TOTAL ASSETS	<u>3,475,945</u>	<u>3,709,750</u>
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES (Payable from unrestricted assets)		
Accounts payable	298,427	128,815
Accrued expenses and other liabilities	517,003	503,413
Due to Wayne County, Tennessee	2,601,825	2,428,047
Current portion of long-term debt	<u>702,421</u>	<u>522,308</u>
TOTAL CURRENT LIABILITIES	<u>4,119,676</u>	<u>3,582,583</u>
CURRENT LIABILITIES (Payable from assets limited as to use)		
Patients' trust fund	<u>30,347</u>	<u>16,253</u>
LONG-TERM DEBT		
Notes and bonds payable	2,352,421	2,302,308
Less current portion	<u>702,421</u>	<u>522,308</u>
TOTAL LONG-TERM DEBT	<u>1,650,000</u>	<u>1,780,000</u>
TOTAL LIABILITIES	<u>5,800,023</u>	<u>5,378,836</u>
NET POSITION		
Investment in capital assets, net of related debt	620,361	676,051
Unrestricted	<u>(2,944,439)</u>	<u>(2,345,137)</u>
TOTAL NET POSITION	<u>\$ (2,324,078)</u>	<u>\$ (1,669,086)</u>

See accompanying notes to financial statements.

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Net resident service revenue, net of provision for bad debts of \$71,858 and \$186,548, respectively	\$ 7,263,611	\$ 7,584,279
Other operating revenues	<u>11,531</u>	<u>47,991</u>
TOTAL OPERATING REVENUES	<u>7,275,142</u>	<u>7,632,270</u>
OPERATING EXPENSES		
Salaries and benefits	5,452,206	5,435,533
Supplies and other	1,955,912	2,081,755
Utilities	247,093	245,149
Depreciation	<u>173,777</u>	<u>177,338</u>
TOTAL OPERATING EXPENSES	<u>7,828,988</u>	<u>7,939,775</u>
LOSS FROM OPERATIONS	<u>(553,846)</u>	<u>(307,505)</u>
NONOPERATING REVENUE (EXPENSE)		
Interest income	3,131	4,227
Interest expense	<u>(104,277)</u>	<u>(108,650)</u>
TOTAL NONOPERATING EXPENSE - NET	<u>(101,146)</u>	<u>(104,423)</u>
CHANGE IN NET POSITION	(654,992)	(411,928)
NET POSITION - BEGINNING OF YEAR	<u>(1,669,086)</u>	<u>(1,257,158)</u>
NET POSITION - END OF YEAR	<u>\$ (2,324,078)</u>	<u>\$ (1,669,086)</u>

See accompanying notes to financial statements.

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from residents	\$ 7,226,250	\$ 7,591,357
Payments to suppliers	(2,052,906)	(2,302,299)
Payments to employees	(5,428,009)	(5,509,458)
Other receipts	<u>11,531</u>	<u>47,991</u>
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	<u>(243,134)</u>	<u>(172,409)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from notes payable	175,113	-
Interest paid	<u>(8,020)</u>	<u>(7,300)</u>
NET CHANGE IN CASH FROM NONCAPITAL FINANCING ACTIVITIES	<u>167,093</u>	<u>(7,300)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt principal payments	(7,337)	(95,004)
Interest paid	<u>(38,637)</u>	<u>(38,658)</u>
NET CHANGE IN CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(45,974)</u>	<u>(133,662)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on notes receivable	1,942	1,863
Interest income	<u>3,131</u>	<u>3,031</u>
NET CHANGE IN CASH FROM INVESTING ACTIVITIES	<u>5,073</u>	<u>4,894</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(116,942)</u>	<u>(308,477)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>358,442</u>	<u>666,919</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 241,500</u>	<u>\$ 358,442</u>

See accompanying notes to financial statements.

WAYNE COUNTY RETIREMENT FACILITIES

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CHANGE IN CASH FROM OPERATING ACTIVITIES		
Loss from operations	\$ (553,846)	\$ (307,505)
Adjustments to reconcile loss from operations to net change in cash from operating activities:		
Depreciation	173,777	177,338
Provision for bad debts	228,831	186,548
(Increase) decrease in:		
Accounts receivable and other receivables	(273,433)	(142,735)
Prepaid expenses	(14,058)	19,010
Inventories	(3,430)	8,520
Increase (decrease) in:		
Accounts payable	169,612	(4,950)
Accrued expenses and other liabilities	15,319	(110,882)
Patients' trust fund	14,094	2,247
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	<u>\$ (243,134)</u>	<u>\$ (172,409)</u>
 SCHEDULE OF NONCASH TRANSACTIONS:		
Amortization of bond issue costs included in interest expense	\$ 2,791	\$ 3,679
Long-term debt and interest payments by Wayne County	181,115	260,630

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Wayne County Retirement Facilities (the "Facilities") are government owned 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 three divisions, the Wayne County Nursing Home ("WCNH") Wayne Care Nursing Home ("WCare") and the Wayne County Assisted Living Facility ("WCAL").

Under accounting principles generally accepted in the United States of America (GAAP), the Facilities collectively constitute a component unit of the County for financial reporting purposes because the governing board is appointed by the Wayne County Commission and Wayne County maintains financial accountability for the Facilities.

Basis of accounting

The Facilities financial statements have been prepared in conformity with GAAP as prescribed by the Governmental Accounting Standards Board (GASB). The Facilities financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Facilities adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements - and Management Discussion and Analysis for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. The adoption of this statement did not have a significant impact on the financial statements.

The Facilities adopted Governmental Accounting Standards Board (GASB) Statement No. 62, *Modification of Accounting and Financial Reporting Guidance Contained in Pre-November 3 1989 FASB and AICPA Pronouncements*, required for fiscal periods beginning after December 15, 2011, in 2013. 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. The adoption of the Statement did not have a material effect on the Facilities' financial condition or results of operations.

WAYNE COUNTY RETIREMENT FACILITIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of accounting (continued)

The Facilities adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in 2013. 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. The statement was implemented retroactively and resulted in a change in the presentation of the balance sheets to what is now referred to as the statements of net position and the term "net assets" is changed to "net position" throughout the financial statements. The adoption of this statement did not impact amounts reported in the financial statements.

Estimates

The preparation of financial statements in conformity with GAAP 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, 2013 or 2012.

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.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 75% for 2013 (78% for 2012).

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.

Due to County and intrafund accounts

During the course of operations, transactions occur between the Facilities and the County and among individual funds of the Facilities for goods or services rendered. Receivables and payables between the Facilities and the County are classified as "due from the County" or "due to Wayne County, Tennessee" on the statement of net position and are eliminated in the government-wide financial statements of the County. Intrafund receivables and payables are eliminated on the Facilities' statement of net position.

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 \$3,234 in 2013 (\$3,679 in 2012) and is included in interest expense.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Operating and nonoperating revenues and expenses

Operating revenues and expenses generally result from providing services to residents and patients. Operating expenses include the cost of personnel and contractual services, supplies, utilities, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net position

The net position 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 position which can only be used for future debt payments. There is currently no restriction for debt service.
- Unrestricted net position 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.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2013, the Facilities' cash and cash equivalents amounted to \$241,500. Bank balances for such amounts totaled \$252,070, all of which was insured by the Federal Deposit Insurance Corporation (FDIC).

NOTE 3 - NOTES RECEIVABLE

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

	<u>2013</u>	<u>2012</u>
Note receivable, due in monthly installments of principal and interest (at 4.0%) of \$150 through December 2022.	\$ 14,220	\$ 15,425
Note receivable, due in monthly installments of principal and interest (at 4.0%) of \$167 through January 2038.	<u>31,361</u>	<u>32,098</u>
	45,581	47,523
Less current portion	<u>(1,894)</u>	<u>(1,894)</u>
	<u>\$ 43,687</u>	<u>\$ 45,629</u>

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

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, 2013, 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	2,386,921	103,066	-	2,489,987
Furniture and equipment	1,431,572	70,711	-	1,502,283
Automobiles	28,873	-	-	28,873
	<u>3,847,366</u>	<u>173,777</u>	<u>-</u>	<u>4,021,143</u>
Total capital assets, being depreciated, net	<u>2,429,136</u>	<u>(173,777)</u>	<u>-</u>	<u>2,255,359</u>
Total capital assets, net	<u>\$2,541,036</u>	<u>\$ (173,777)</u>	<u>\$ -</u>	<u>\$2,367,259</u>

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

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, 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>

Depreciation expense amounted to \$173,777 in 2013 and \$177,338 in 2012.

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

NOTE 5 – DUE TO WAYNE COUNTY, TENNESSEE

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, 2013 follows:

	<u>WCNH</u>	<u>WCAL</u>	<u>Total</u>
Cumulative payments on bonds or notes payable for retirement facilities by Wayne County	\$ 599,832	\$ 1,000,000	\$ 1,599,832
Demand loan related to purchase of house	48,000	-	48,000
Other operating advances	<u>-</u>	<u>953,993</u>	<u>953,993</u>
Total Due to Wayne County	<u>\$ 647,832</u>	<u>\$ 1,953,993</u>	<u>\$ 2,601,825</u>

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>

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

NOTE 6 - NOTES AND BONDS PAYABLE

Changes in long-term debt were as follows for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements *</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes and Bonds Payable					
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.	\$ 545,000	\$ -	\$ 15,000	\$ 530,000	\$ 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, 2014.	84,888	-	-	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 5, 2015.	129,920	144	-	130,064	130,064
Nursing Home 4.0% 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 8, 2015.	-	150,000	-	150,000	150,000
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.	1,360,000	-	110,000	1,250,000	115,000
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 \$182,800 and will mature on February 8, 2015.	70,000	24,969	-	94,969	94,969
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 \$182,500. Due November 12, 2014.	112,500	-	-	112,500	112,500
Total notes and bonds payable	<u>\$ 2,302,308</u>	<u>\$ 175,113</u>	<u>\$ 125,000</u>	<u>\$ 2,352,421</u>	<u>\$ 702,421</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, 2013 AND 2012

NOTE 6 - NOTES AND BONDS PAYABLE (CONTINUED)

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>
Notes and Bonds Payable					
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.	\$ 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, 2013 AND 2012

NOTE 6 - NOTES AND BONDS PAYABLE (CONTINUED)

A schedule of annual principal maturities of notes and bonds payable as of June 30, 2013, follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 702,421	\$ 83,126
2015	140,000	65,388
2016	150,000	59,155
2017	155,000	52,606
2018	165,000	45,681
2019-2023	745,000	120,555
2024-2028	170,000	42,930
2029-2031	<u>125,000</u>	<u>7,796</u>
	<u>\$ 2,352,421</u>	<u>\$ 477,237</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 \$227,966 in 2013 (\$249,252 in 2012).

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

NOTE 7 - PENSION PLAN (CONTINUED)

Plan description (continued)

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, 10th 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 6.36% for the fiscal year ended June 30, 2013 (5.98% for 2012). 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 are included in accrued expenses and other liabilities for the years ended June 30, 2013 and 2012 are as follows:

		<u>Fiscal Year</u>			
	<u>Beginning</u>	<u>Claims and</u>	<u>Claim</u>	<u>Ending</u>	
	<u>Balance</u>	<u>Changes in</u>	<u>Payments</u>	<u>Balance</u>	
		<u>Estimates</u>			
2013	\$ 30,267	\$ 374,648	\$ 365,443	\$ 39,472	
2012	\$ 15,432	\$ 271,996	\$ 257,161	\$ 30,267	

WAYNE COUNTY RETIREMENT FACILITIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

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 position or financial condition. Accordingly, no liability for any such loss has been provided.

NOTE 10 - DEFICIT NET POSITION

The Facilities have a deficit unrestricted net position of \$2,944,439 at June 30, 2013 (\$2,345,137 in 2012) and a total deficit net position of \$2,324,078 at June 30, 2013 (\$1,669,086 in 2012).

NOTE 11 – SUBSEQUENT EVENT

Subsequent to year end, Wayne County reached an agreement to sell all equipment, real estate and improvements of Wayne County Nursing Home and Wayne Care Nursing Home. Operation of both nursing homes was transferred to the buyer on July 1, 2014 under an operations transfer agreement and a lease agreement.

ADDITIONAL INFORMATION

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF NET POSITION

JUNE 30, 2013 AND 2012

ASSETS	JUNE 30, 2013					JUNE 30, 2012				
	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL
CURRENT ASSETS										
Cash and cash equivalents - unrestricted	\$ 111,831	\$ 28,815	\$ 70,507	\$ -	\$ 211,153	\$ 306,410	\$ 10,028	\$ 25,751	\$ -	\$ 342,189
Resident accounts receivable, net of allowance for uncollectible accounts	482,343	-	214,971	-	697,314	431,026	-	221,686	-	652,712
Intrafund receivable	348,642	-	-	(348,642)	-	214,373	-	-	(214,373)	-
Notes receivable - current portion	1,894	-	-	-	1,894	1,894	-	-	-	1,894
Prepaid insurance	33,144	-	5,637	-	38,781	20,260	-	4,463	-	24,723
Inventories	26,746	-	25,662	-	52,408	25,352	-	23,626	-	48,978
TOTAL CURRENT ASSETS	1,004,600	28,815	316,777	(348,642)	1,001,550	999,315	10,028	275,526	(214,373)	1,070,496
ASSETS LIMITED AS TO USE										
Cash and cash equivalents - restricted	14,279	-	16,068	-	30,347	15,191	-	1,062	-	16,253
TOTAL ASSETS LIMITED AS TO USE	14,279	-	16,068	-	30,347	15,191	-	1,062	-	16,253
OTHER ASSETS										
Bond issue costs, net of accumulated amortization	7,981	25,121	-	-	33,102	8,424	27,912	-	-	36,336
Notes receivable, excluding current portion	43,687	-	-	-	43,687	45,629	-	-	-	45,629
TOTAL OTHER ASSETS	51,668	25,121	-	-	76,789	54,053	27,912	-	-	81,965
LAND, BUILDING AND EQUIPMENT - at cost, net of accumulated depreciation	740,259	1,578,035	48,965	-	2,367,259	847,458	1,632,577	61,001	-	2,541,036
TOTAL ASSETS	1,810,806	1,631,971	381,810	(348,642)	3,475,945	1,916,017	1,670,517	337,589	(214,373)	3,709,750
LIABILITIES AND NET POSITION										
CURRENT LIABILITIES (Payable from unrestricted assets)										
Accounts payable	\$ 234,995	\$ 9,418	\$ 54,014	\$ -	\$ 298,427	\$ 90,024	\$ 9,494	\$ 29,297	\$ -	\$ 128,815
Accrued expenses and other liabilities	288,170	27,646	201,187	-	517,003	291,157	25,651	186,605	-	503,413
Intrafund payable	-	348,642	-	(348,642)	-	-	214,373	-	(214,373)	-
Due to Wayne County, Tennessee	647,832	1,953,993	-	-	2,601,825	640,169	1,787,878	-	-	2,428,047
Current portion of long-term debt	379,952	115,000	207,469	-	702,421	229,808	110,000	182,500	-	522,308
TOTAL CURRENT LIABILITIES	1,550,949	2,454,699	462,670	(348,642)	4,119,676	1,251,158	2,147,396	398,402	(214,373)	3,582,583
CURRENT LIABILITIES (Payable from assets limited as to use)										
Patients' trust fund	14,279	-	16,068	-	30,347	15,191	-	1,062	-	16,253
LONG-TERM DEBT										
Notes and bonds payable	894,952	1,250,000	207,469	-	2,352,421	759,808	1,360,000	182,500	-	2,302,308
Less current portion	379,952	115,000	207,469	-	702,421	229,808	110,000	182,500	-	522,308
TOTAL LONG-TERM DEBT	515,000	1,135,000	-	-	1,650,000	530,000	1,250,000	-	-	1,780,000
TOTAL LIABILITIES	2,080,228	3,589,699	478,738	(348,642)	5,800,023	1,796,349	3,397,396	399,464	(214,373)	5,378,836
NET POSITION										
Investment in capital assets, net of related debt	218,240	353,156	48,965	-	620,361	311,769	303,281	61,001	-	676,051
Unrestricted	(487,662)	(2,310,884)	(145,893)	-	(2,944,439)	(192,101)	(2,030,160)	(122,876)	-	(2,345,137)
TOTAL NET POSITION	\$ (269,422)	\$ (1,957,728)	\$ (96,928)	\$ -	\$ (2,324,078)	\$ 119,668	\$ (1,726,879)	\$ (61,875)	\$ -	\$ (1,669,086)

WAYNE COUNTY RETIREMENT FACILITIES

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

YEARS ENDED JUNE 30, 2013 AND 2012

	2013					2012				
	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL
OPERATING REVENUES										
Net resident service revenue, net of provision for bad debts	\$ 4,795,597	\$ 281,361	\$ 2,186,653	\$ -	\$ 7,263,611	\$ 5,086,750	\$ 352,174	\$ 2,145,355	\$ -	\$ 7,584,279
Other operating revenues	5,627	-	5,904	-	11,531	20,752	-	27,239	-	47,991
TOTAL OPERATING REVENUES	4,801,224	281,361	2,192,557	-	7,275,142	5,107,502	352,174	2,172,594	-	7,632,270
OPERATING EXPENSES										
Salaries and benefits	3,636,848	243,341	1,572,017	-	5,452,206	3,629,034	237,812	1,568,687	-	5,435,533
Supplies and other	1,274,249	113,964	567,699	-	1,955,912	1,349,993	95,168	636,594	-	2,081,755
Utilities	136,688	42,765	67,640	-	247,093	141,525	42,383	61,241	-	245,149
Depreciation	107,199	54,542	12,036	-	173,777	108,583	54,543	14,212	-	177,338
TOTAL OPERATING EXPENSES	5,154,984	454,612	2,219,392	-	7,828,988	5,229,135	429,906	2,280,734	-	7,939,775
LOSS FROM OPERATIONS	(353,760)	(173,251)	(26,835)	-	(553,846)	(121,633)	(77,732)	(108,140)	-	(307,505)
NONOPERATING REVENUE (EXPENSE)										
Interest income	3,005	126	-	-	3,131	4,061	166	-	-	4,227
Interest expense	(38,335)	(57,724)	(8,218)	-	(104,277)	(38,849)	(62,401)	(7,400)	-	(108,650)
TOTAL NONOPERATING REVENUE (EXPENSE) - NET	(35,330)	(57,598)	(8,218)	-	(101,146)	(34,788)	(62,235)	(7,400)	-	(104,423)
CHANGE IN NET POSITION	(389,090)	(230,849)	(35,053)	-	(654,992)	(156,421)	(139,967)	(115,540)	-	(411,928)
NET POSITION - BEGINNING OF YEAR	119,668	(1,726,879)	(61,875)	-	(1,669,086)	276,089	(1,586,912)	53,665	-	(1,257,158)
NET POSITION - END OF YEAR	\$ (269,422)	\$ (1,957,728)	\$ (96,928)	\$ -	\$ (2,324,078)	\$ 119,668	\$ (1,726,879)	\$ (61,875)	\$ -	\$ (1,669,086)

WAYNE COUNTY RETIREMENT FACILITIES

COMBINING SCHEDULES OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012

	2013					2012				
	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts from residents	\$ 4,743,368	\$ 281,361	\$ 2,201,521	\$ -	\$ 7,226,250	\$ 5,128,330	\$ 352,174	\$ 2,110,853	\$ -	\$ 7,591,357
Payments to suppliers	(1,414,513)	(24,561)	(613,832)	-	(2,052,906)	(1,470,293)	(121,183)	(710,823)	-	(2,302,299)
Payments to employees	(3,639,090)	(238,139)	(1,550,780)	-	(5,428,009)	(3,694,502)	(238,009)	(1,576,947)	-	(5,509,458)
Other receipts	5,627	-	5,904	-	11,531	20,752	-	27,239	-	47,991
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	(304,608)	18,661	42,813	-	(243,134)	(15,713)	(7,018)	(149,678)	-	(172,409)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES										
Proceeds from notes payable	150,144	-	24,969	-	175,113	-	-	-	-	-
Interest paid	-	-	(8,020)	-	(8,020)	-	-	(7,300)	-	(7,300)
NET CHANGE IN CASH FROM NONCAPITAL FINANCING ACTIVITIES	150,144	-	16,949	-	167,093	-	-	(7,300)	-	(7,300)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
Debt principal payments	(7,337)	-	-	-	(7,337)	(95,004)	-	-	-	(95,004)
Interest paid	(38,637)	-	-	-	(38,637)	(39,854)	-	-	1,196	(38,658)
NET CHANGE IN CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(45,974)	-	-	-	(45,974)	(134,858)	-	-	1,196	(133,662)
CASH FLOWS FROM INVESTING ACTIVITIES										
Payments received on notes receivable	1,942	-	-	-	1,942	1,863	-	-	-	1,863
Interest income	3,005	126	-	-	3,131	4,061	166	-	(1,196)	3,031
NET CHANGE IN CASH FROM INVESTING ACTIVITIES	4,947	126	-	-	5,073	5,924	166	-	(1,196)	4,894
NET CHANGE IN CASH AND CASH EQUIVALENTS	(195,491)	18,787	59,762	-	(116,942)	(144,647)	(6,852)	(156,978)	-	(308,477)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	321,601	10,028	26,813	-	358,442	466,248	16,880	183,791	-	666,919
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 126,110	\$ 28,815	\$ 86,575	\$ -	\$ 241,500	\$ 321,601	\$ 10,028	\$ 26,813	\$ -	\$ 358,442

WAYNE COUNTY RETIREMENT FACILITIES
COMBINING SCHEDULES OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2013 AND 2012

	2013					2012				
	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL	WCNH	WCAL	WCARE	ELIMINATIONS	TOTAL
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CHANGE IN CASH FROM OPERATING ACTIVITIES										
Loss from operations	\$ (353,760)	\$ (173,251)	\$ (26,835)	\$ -	\$ (553,846)	\$ (121,633)	\$ (77,732)	\$ (108,140)	\$ -	\$ (307,505)
Adjustments to reconcile loss from operations to net change in cash from operating activities:										
Depreciation	107,199	54,542	12,036	-	173,777	108,583	54,543	14,212	-	177,338
Provision for bad debts	62,632	-	166,199	-	228,831	20,349	-	166,199	-	186,548
(Increase) decrease in:										
Accounts receivable and other receivables	(113,949)	-	(159,484)	-	(273,433)	19,763	-	(162,498)	-	(142,735)
Intrafund receivable (payable)	(134,269)	134,269	-	-	-	(15,480)	15,480	-	-	-
Prepaid expenses	(12,884)	-	(1,174)	-	(14,058)	23,464	-	(4,454)	-	19,010
Inventories	(1,394)	-	(2,036)	-	(3,430)	(1,654)	-	10,174	-	8,520
Increase (decrease) in:										
Accounts payable	144,971	(76)	24,717	-	169,612	14,895	(1,137)	(18,708)	-	(4,950)
Accrued expenses and other liabilities	(2,242)	3,177	14,384	-	15,319	(65,468)	1,828	(47,242)	-	(110,882)
Patients' trust fund	(912)	-	15,006	-	14,094	1,468	-	779	-	2,247
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	\$ (304,608)	\$ 18,661	\$ 42,813	\$ -	\$ (243,134)	\$ (15,713)	\$ (7,018)	\$ (149,678)	\$ -	\$ (172,409)
SCHEDULE OF NONCASH TRANSACTIONS:										
Amortization of bond issue costs included in interest expense	\$ 887	\$ 2,791	\$ -	\$ -	\$ 3,678	\$ 887	\$ 2,792	\$ -	\$ -	\$ 3,679
Long term debt and interest payments by Wayne County	15,000	166,115	-	-	181,115	94,892	165,738	-	-	260,630

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 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, 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, 2013, and have issued our report thereon dated November 6, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a certain deficiency in internal control 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.

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.

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*.

ENTITY'S RESPONSE TO FINDINGS

Wayne County Retirement Facilities' response to the finding identified in our audit is described previously. The Facilities' response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

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



Columbia, Tennessee

November 6, 2014