West Tennessee Healthcare and Related Affiliates

Audited Financial Statements and Schedules

June 30, 2014 and 2013

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

West Tennessee Healthcare and Related Affiliates

Contents

Years Ended June 30, 2014 and 2013

Report of Independent Auditors

The Board of Trustees
West Tennessee Healthcare and Related Affiliates

Report on the Financial Statements

We have audited the accompanying financial statements of West Tennessee Healthcare and Related Affiliates (the "Company"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Company'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 Company'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

New Accounting Pronouncements

As discussed in Note 2 to the financial statements, the Company adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2014. As a result of adopting these standards, the Company restated the beginning net position for the write-off of bond issuance costs and reclassified the deferred loss on bond refunding to deferred outflows of resources.

Adjustments to Prior Period Financial Statements

The financial statements of West Tennessee Healthcare and Related Affiliates as of June 30, 2013, were audited by other auditors whose report dated October 13, 2013, expressed an unmodified opinion on those statements. As discussed in Note 2 to the financial statements, the Company has adjusted its 2013 financial statements to retrospectively apply the change in accounting required by GASB Statement No. 65. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2014 financial statements, we also audited the adjustments to the 2013 financial statements to retrospectively apply the change in accounting as described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the Company's 2013 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2013 financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 10 and the pension and post employment benefits information on pages 45 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The roster of governance and management officials on page 11 and the deductions from gross patient service revenues information on pages 47 through 48 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The deductions from gross patient service revenues information and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate 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 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 information and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The roster of governance and management officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Company's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

October 24, 2014, except for the
schedule of expenditures of federal
awards and state financial assistance, for
which the date is December 3, 2014.

This section of the financial statements of West Tennessee Healthcare and Related Affiliates (the "Company") presents management's analysis of the Company's financial performance during the fiscal years ended June 30, 2014 and 2013.

Financial Highlights

2014

- The Company's results from operations, including interest expense, fell below budgeted expectations in 2014 with an operating margin of 1%.

- Total operating revenues were 2% above the prior year, an increase of approximately $14.9 million. The increase was due to several factors, most notably an increase in surgery volumes for the flagship hospital and having a full year of volume related to new and expanded services.

- Total expenses were up 4% when compared to the prior year, with a 3% increase in Salaries and Benefits expense. The Company experienced a 7% increase in Supply and Other administrative costs driven primarily by the opening of the Kirkland Cancer Center and transition costs related to a realignment of services in Gibson County where three small community hospitals were replaced with one hospital, an outpatient medical center and an emergency department satellite location of the flagship hospital. The Company also had over $8 million in non-recurring costs with a loss in 2014 of $5.9 million due to a write-down in value of a leased office building vacated during the year and $2.7 million in non-recurring costs for a voluntary retirement incentive program.

- The Company's non-operating revenue was up significantly with improved market conditions for the Company's investments.

2013

- The Company's results from operations, including interest expense, met budgeted expectations in 2013 with an operating margin of 2.2%.

- Total operating revenues were 3.4% above the prior year, an increase of approximately $20 million. The increase was due to several factors, most notably an increase in cardiology and Rehabilitation Center volumes for the flagship hospital and the addition of some new services during the year.

- Total operating expenses were up 2%, with a 1% increase in Salaries and Benefits expense resulting from routine staffing and raises and an 8.6% increase in supply costs driven primarily by the increase in cardiology volume.

- The Company's non-operating revenue was up significantly with improved market conditions for the Company's investments.

Overview of the Financial Statements

The financial statements consist of two parts: management's discussion and analysis and the basic financial statements. The basic financial statements also include notes and required supplementary information that explain in more detail some of the information in the financial statements.

Required Basic Financial Statements

The Company reports financial information about the Company using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statements of net position include all the Company's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Company creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. These statements also provide the basis for computing rate of return, evaluating the capital structure of the Company and assessing the liquidity and financial flexibility of the Company.

All of the current year's revenues and expenses are accounted for in the statements of revenues and expenses and changes in net position. These statements measure the performance of the Company's operations over the past year and can be used to determine whether the Company has successfully recovered all its costs through the services provided, as well as its profitability and creditworthiness.

The final required statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Company's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, non-capital financing and financing activities, and provides information as to where cash came from, what cash was used for, and what the change in the cash balance was during the reporting period.

Financial Analysis

Our analysis of the financial statements of the Company begins below. One of the most important questions asked about the Company's finances is, "Is the Company as a whole better off or worse off as a result of the year's activities?" The statements of net position and the statements of revenues, expenses, and changes in net position report information about the Company's activities in a way that will help answer this question. These statements report the net position of the Company and changes in them. You can think of the Company's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Company's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in interest rates, economic conditions, regulations and new or changed government legislation.

Table A-1
Condensed Statements of Net Position (in millions of dollars)

	June 30			Dollar Increase (Decrease)	Percentage Increase (Decrease)	Dollar Increase (Decrease)	Percentage Increase (Decrease)
	2014	2013	2012	2013-2014	2013-2014	2012-2013	2012-2013
Current assets	$ 158.9	$ 148.5	$ 139.3	$ 10.4	7%	$ 9.2	7%
Capital assets, net	385.1	391.8	386.6	(6.7)	(2)%	5.2	1%
Other non-current assets	367.0	347.7	331.8	19.3	6%	15.9	5%
Total assets	911.0	888.0	857.7	23.0	3%	30.3	4%
Deferred outflows of resources	5.4	6.0	6.6	(0.6)	(10)%	(0.6)	(9)%
Total assets and deferred outflows	$ 916.4	$ 894.0	$ 864.3	$ 22.4	3%	$ 29.7	3%
Current liabilities	$ 63.4	$ 72.1	$ 66.5	$ (8.7)	(12)%	$ 5.6	8%
Non-current liabilities	284.6	289.5	294.1	(4.9)	(2)%	(4.6)	(2)%
Total liabilities	348.0	361.6	360.6	(13.6)	(4)%	1.0	(0.25)%
Net position:							
Unrestricted	421.7	381.1	366.1	40.6	11%	15.0	4%
Invested in capital assets, net of related financing	119.7	124.4	115.5	(4.7)	(4)%	8.9	8%
Restricted	27.0	26.9	22.1	0.1	0%	4.8	22%
Total net position	568.4	532.4	503.7	36.0	7%	28.7	6%
Total liabilities and net position	$ 916.4	$ 894.0	$ 864.3	$ 22.4	3%	$ 29.7	3%

As indicated in Table A-1, net position increased from fiscal 2013 by $36 million or 7% with the Company's financial performance in fiscal year 2014.

1. Total assets increased by $23 million or 3% with significant growth in the value of the investment portfolio and growth in accounts receivable arising from volume and revenue growth.

2. Total liabilities decreased by $13.6 million or 4% due to regular debt payments and routine activity.

As indicated in Table A-1, net position increased from fiscal 2012 by $28.7 million or 6% with the Company's financial performance in fiscal year 2013.

1. Total assets increased by $30.3 million or 4% with significant growth in the value of the investment portfolio and growth in Accounts Receivable arising from volume and revenue growth.

2. Total liabilities remained relatively flat, increasing by $1 million or 0.25% with routine activity.

Table A-2
Condensed Statements of Revenues and Expenses, and Changes in Net Position
(in millions of dollars)

	Year Ended June 30 2014	2013	2012	Dollar Increase (Decrease) 2013-2014	Percentage Increase (Decrease) 2013-2014	Dollar Increase (Decrease) 2012-2013	Percentage Increase (Decrease) 2012-2013
Net patient service revenues	$ 588.2	$ 569.1	$ 553.0	$ 19.1	3%	$ 16.1	3%
Other operating revenues	40.7	44.9	40.9	(4.2)	(9)%	4.0	10%
Total operating revenues	628.9	614.0	593.9	14.9	2%	20.1	3%
Salaries and benefits	327.7	319.7	317.7	8.0	3%	2.0	1%
Supplies and other expenses	230.0	215.0	203.4	15.0	7%	11.6	9%
Depreciation and amortization	47.7	48.0	49.6	(0.3)	(1)%	(1.6)	0%
Total expenses	605.4	582.7	570.7	22.7	4%	12.0	2%
Income from operations	23.5	31.3	23.2	(7.8)	(26)%	8.1	35%
Net nonoperating revenues and expenses	12.5	(2.5)	(17.8)	15.0	(600)%	15.3	(86)%
Change in net position	36.0	28.8	5.4	7.2	25%	23.4	433%
Beginning net position	532.4	503.6	498.2	28.8	6%	5.4	1%
Ending net position	$ 568.4	$ 532.4	$ 503.6	$ 36.0	(7)%	$ 28.8	6%

While the statements of net position show the change in financial position or net position, the statements of revenues and expenses and changes in net position, as indicated above, provide answers as to the nature and source of these changes (i.e., the financial result of current year operations).

Operating revenues increased by $14.9 million or 2% from 2013 to 2014.

1. The increase was driven primarily by improved surgery volumes and opening of Kirkland Cancer Center, and offset by reduced impatient volume overall.

2. The Company earned $5.5 million in incentive payments for the meaningful use of electronic health records.

Operating revenues increased by $20.1 million or 3% from 2012 to 2013. The increase was driven primarily by improved cardiology volumes.

1. Inpatient discharges remained relatively flat with a 0.3% decrease. Although inpatient volumes were flat, patient revenue improved with the increase in cardiology cases. Surgical volumes were flat compared to the prior year.

2. The Company earned $8.1 million in incentive payments for the meaningful use of electronic health records.

Operating expense increased by $22.7 million or 4% when comparing 2014 to 2013.

1. Total salaries and benefits expense increased by $8 million or 3% due to several factors, most notably due to $2.7 million in salary expenses related to a voluntary retirement initiative and an increase in FTEs related to new and expanded services, compounded by higher medical, dental and vision claims.

2. The Company recognized a loss in fiscal year 2014 of $5,946,138 due to a write-down in value of a building formerly leased to the Jackson Clinic. During the fiscal year, the building became vacant. The amount of the reduction in value relates to portions of the building determined to be unusable through space planning work conducted during the fiscal year.

3. Other expenses increased by $12.7 million or 14% with the opening of Kirkland Cancer Center and transition costs related to a realignment of services in Gibson County where two inpatient facilities were closed and volumes declined in advance of the closure.

Operating expense increased by $12 million or 2% when comparing 2013 to 2012.

1. Total salaries and benefits expense increased by $2 million or 1% due to several factors, most notably routine employee rate adjustments awarded in September 2012.

2. Total supply expenses for the Company increased by $10.1 million or 9% due to improving volumes particularly for cardiology services, where supply costs per case are generally higher. In addition, drug costs increased with the temporary loss of 340b pricing during the year due to a change in enrollment status.

3. Other expenses decreased by $0.1 million or 1.0% with changes to co-management arrangements, enhanced case management services and routine inflation of equipment and software maintenance costs.

Capital Assets and Long-Term Debt

Capital Assets

As of June 30, 2014, the Company had $385.1 million invested in a variety of capital assets, as reflected in Table A-3, which represents a net decrease (additions, disposals and depreciation) of $6.7 million or 2% from the end of last year.

Table A-3
Capital Assets (in millions of dollars)

	June 30 2014	June 30 2013
Land and land improvements	$ 48.8	$ 46.9
Buildings	303.9	287.3
Equipment	609.3	576.9
Construction in progress	7.7	30.4
Total capital assets	969.7	941.5
Accumulated depreciation	(584.6)	(549.7)
Capital assets, net	$ 385.1	$ 391.8

Long-Term Debt

As of June 30, 2014, the Company had $294.1 million in outstanding long-term debt and as of June 30, 2013, the Company had $299.0 million in outstanding long-term debt. This represents a net decrease of $4.9 million over the prior fiscal year.

For more detailed information regarding the Company's capital assets and long-term debt, please refer to the notes to the financial statements.

Future Outlook

The Board of Trustees and management continue to have a positive outlook for the Company. In the 2014 fiscal year, the Company took important steps to reduce costs, realign services, and improve efficiency, positioning the organization better to respond to continued downward pressure on hospital volume and revenue and the shorter term impact of the absence of Medicaid expansion in Tennessee. The Company continues its commitment to high quality care and an exceptional patient experience, while pursuing business strategies that will strengthen its financial position and ensure

Future Outlook (continued)

its ability to continue to fulfill its mission. The Company continues to develop and evaluate alignment and business strategies to accomplish these objectives.

Requests for Information

This financial report is designed to provide a general overview of the Company's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Company.

West Tennessee Healthcare and Related Affiliates

Roster of Governance and Management Officials

Years Ended June 30, 2014 and 2013

Governance Officials – Board of Trustees

Name	Title	Principal Occupation
Greg Milam	Chairman	Insurance Services
Vicki Burch	Vice-Chairman	President, West Tennessee Business College
Danny Wheeler	Secretary	Retired, Jackson Energy Authority
Curtis Mansfield		President, First Bank
Phil Bryant		Financial Services

Management Officials

Bobby Arnold	Chief Executive Officer
James Ross	Chief Operating Officer, Vice-President
Jeff Blankenship	Chief Financial Officer, Vice-President
Currie Higgs	General Counsel, Vice-President
Amy Griffin	Compliance Officer, Vice-President
Dr. David Roberts	Chief Medical Officer, Vice-President
Jeff Frieling	Chief Information Officer, Vice-President
Wendie Carlson	Vice-President of Human Resources
Dr. Lisa Piercey	Vice-President of Physician Services
Tina Prescott	Chief Nursing Officer, Vice-President
Catherine Kwasigroh	Vice-President of Hospital Services
Karen Utley	Vice-President of Hospital Services
Deann Montchal	Vice-President of Hospital Services

West Tennessee Healthcare and Related Affiliates

Statements of Net Position

June 30, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 32,735,522	$ 31,941,021
Accounts receivable:		
Patient accounts receivable, less allowances for doubtful accounts of approximately $38,352,000 and $35,653,000, respectively	102,175,449	87,965,287
Other	4,748,264	10,373,988
Total accounts receivable	106,923,713	98,339,275
Inventories	6,387,918	5,977,317
Prepaid expenses	7,153,657	7,017,543
Restricted assets - current portion	5,660,068	5,190,102
Total current assets	158,860,878	148,465,258
Restricted assets:		
Funded depreciation - buildings	58,617,646	59,770,124
Funded depreciation - equipment	31,517,310	32,136,970
Debt service reserve fund	21,369,360	21,700,684
Project building fund	85,830,289	77,372,432
Operating reserve fund	119,040,758	107,575,318
Contingency fund	9,347,342	8,420,128
High technology fund	11,097,983	9,997,114
	336,820,688	316,972,770
Other assets:		
Goodwill	9,569,318	9,833,045
Wellness Center loan receivable	16,872,584	16,872,584
Other	3,774,341	3,987,500
	30,216,243	30,693,129
Capital assets:		
Land and land improvements	48,841,591	46,884,820
Buildings	303,854,813	287,318,752
Fixed equipment	208,036,305	194,674,706
Moveable equipment	401,299,135	382,290,274
Construction in progress	7,656,848	30,390,343
	969,688,692	941,558,895
Accumulated depreciation	(584,557,697)	(549,722,325)
	385,130,995	391,836,570
Total assets	911,028,804	887,967,727
Deferred outflows of resources		
Deferred charges on refundings	5,398,807	5,990,940
Total deferred outflows of resources	5,398,807	5,990,940
Total assets and deferred outflows of resources	$ 916,427,611	$ 893,958,667

See accompanying notes.

	2014	2013
Liabilities and net position		
Current liabilities:		
Accounts payable	$ 14,334,724	$ 18,133,014
Accrued compensation and related expenses	24,516,638	27,592,580
Accrued interest expense	4,035,955	4,091,458
Other accrued expenses	8,481,486	13,366,179
Estimated third-party settlements	6,956,833	4,014,624
Long-term debt due within one year	5,144,999	4,932,435
Total current liabilities	63,470,635	72,130,290
Other liabilities:		
Long-term debt, less amounts due within one year	284,592,278	289,472,299
Total liabilities	348,062,913	361,602,589
Net position:		
Unrestricted	421,630,522	381,109,710
Net investment in capital assets	119,704,749	124,355,582
Restricted for debt service	27,029,427	26,890,786
Total net position	568,364,698	532,356,078
Total liabilities and net position	$ 916,427,611	$ 893,958,667

West Tennessee Healthcare and Related Affiliates

Statements of Revenues and Expenses and Changes in Net Position

For the Years Ended June 30, 2014 and 2013

	2014	2013
Operating revenues		
Net patient service revenues, net of provision for bad debts of $70,639,945 in 2014 and $67,838,070 in 2013	$ 588,190,053	$ 569,100,039
Other revenues	40,676,644	44,934,457
Total operating revenues	628,866,697	614,034,496
Operating expenses		
Salaries and benefits	327,663,805	319,701,770
Supplies and other	230,027,196	215,015,060
Depreciation and amortization	47,627,135	48,016,258
Total operating expenses	605,318,136	582,733,088
Operating income	23,548,561	31,301,408
Nonoperating revenues (expenses)		
Investment income	31,169,994	16,718,004
Interest expense	(17,248,129)	(17,506,401)
Contribution to City of Jackson and Madison County	(902,604)	(1,231,291)
Contribution to City of Jackson: Sportsplex	(150,000)	(150,000)
Contribution to West Tennessee Healthcare Foundation	(409,202)	(409,702)
Nonoperating revenues (expenses), net	12,460,059	(2,579,390)
Increase in net position	36,008,620	28,722,018
Net position at beginning of year	532,356,078	503,634,060
Net position at end of year	$ 568,364,698	$ 532,356,078

See accompanying notes.

West Tennessee Healthcare and Related Affiliates

Statements of Cash Flows

For the Years Ended June 30, 2014 and 2013

	2014	2013
Operating activities		
Receipts from third-party payors and patients	$ 579,607,617	$ 558,181,398
Receipts from other operations	40,676,644	44,934,455
Payments to suppliers	(229,694,266)	(218,370,237)
Payments to employees	(330,739,749)	(309,564,404)
Net cash provided by operating activities	59,850,246	75,181,212
Noncapital financing activity		
Contributions to City, County, and Foundation	(959,202)	(1,389,752)
Net cash used in noncapital financing activity	(959,202)	(1,389,752)
Investing activities		
Interest, dividends, and realized gain on investments	5,143,351	5,896,890
Net change in restricted assets	5,708,759	(9,772,667)
Net cash provided by (used in) investing activities	10,852,110	(3,875,777)
Capital and related financing activities		
Purchases of capital assets	(47,569,697)	(53,533,055)
Repayment of long-term debt	(4,932,434)	(4,767,565)
Interest paid on long-term debt	(16,446,522)	(16,662,299)
Net cash used in capital and related financing activities	(68,948,653)	(74,962,919)
Increase (decrease) in cash and cash equivalents	794,501	(5,047,236)
Cash and cash equivalents at beginning of year	31,941,021	36,988,257
Cash and cash equivalents at end of year	$ 32,735,522	$ 31,941,021
Reconciliation of operating income to net cash provided by operating activities		
Income from operations	$ 23,548,561	$ 31,301,408
Adjustments to reconcile operating income net cash provided by operating activities:		
Depreciation	47,301,408	47,693,237
Impairment loss	5,946,139	-
Loss on disposals of capital assets	525,121	198,418
Amortization	325,727	323,023
Changes in operating assets and liabilities		
Accounts receivable	(8,584,438)	(11,730,096)
Inventory and prepaid expenses	(546,715)	1,095,142
Other assets	151,159	858,055
Accounts payable and accrued expenses	(11,758,925)	13,356,804
Estimated third-party settlements	2,942,209	(7,914,779)
Net cash provided by operating activities	$ 59,850,246	$ 75,181,212
Supplemental schedule of noncash investing activities		
Change in fair value of investments	$ 26,026,643	$ 10,821,114
Capital contribution to City	$ 502,604	$ 401,241

See accompanying notes.

1. Significant Accounting Policies

Organization and Basis of Presentation

The accompanying financial statements include West Tennessee Healthcare and its related affiliates (hereinafter collectively referred to as the "Company"), all of which are under common control of the Jackson-Madison County General Hospital District (the "District") and have been presented as blended component units ("BCUs") of the Company. We consider Jackson-Madison County General Hospital, Bolivar General Hospital, Camden General Hospital, Gibson General Hospital, Humboldt General Hospital, Milan General Hospital, Pathways Behavioral Health, Medical Center Medical Products, Health Partners, Therapy & Learning Center and the West Tennessee Medical Group BCUs of West Tennessee Healthcare, as the governing body is substantively the same as the governing body of West Tennessee Healthcare and has operational responsibility of those component units. The Company presents its financial statements in accordance with accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated.

Proprietary Fund Accounting

The Company utilizes the economic resources measurement focus and the proprietary fund method of accounting whereby revenues and expenses are recognized on an accrual basis. Substantially all revenues and expenses are subject to accrual.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform with the classifications used in 2014. These reclassifications had no impact on the Company's financial position or results of operations.

Recent Accounting Pronouncements

The Government Accounting Standards Board ("GASB") recently issued Statement No. 68, *Accounting and Financial Reporting for Pensions,* which was approved in June 2012. The standard applies to government employers that offer pension benefits through a pension trust or an equivalent arrangement. It replaces GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* and GASB Statement No. 50, *Pension Disclosures,* for these employers. The standard is intended to improve the usefulness of financial statements in assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive of pension expense, as well as explanatory disclosures in the notes to the financial statements and required supplemental information.

1. Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

Among other requirements under the standard, government employers will have to record a net pension liability in their financial statements for defined benefit plans that is based on fiduciary plan net position rather than plan funding. The new standard is effective for fiscal years beginning after June 15, 2014. The Company is working with its actuarial firm to determine the impact that this standard will have on the Company's financial statements. The impact upon adoption is unknown.

Cash and Cash Equivalents

The Company considers temporary cash investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Investments

The Company's investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* The Company invests in government bonds, short-term money market investments, equity securities and alternative investments that are in accordance with the Company's investment policy.

Investments include the Company's ownership interest in various limited partnerships and investment funds (collectively referred to as Funds) that, in turn, invest the capital of the Funds in other funds. These Funds have no significant liabilities, and the equity of the Funds is based upon the fair value of the financial instruments held. These Funds invest in real estate, hedge funds, and limited partnerships. The fair value of these investments is determined by the underlying asset's manager or independent appraisals (in the case of real estate). Due to inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year. Realized and unrealized gains and losses are included in investment income in the accompanying statements of revenues and expenses and changes in net position.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

1. Significant Accounting Policies (continued)

Funded Depreciation

The Company reserves funds for future purchases of capital assets. Investment earnings on funded depreciation funds were $1,772,139 and $1,270,106 for the years ended June 30, 2014 and 2013, respectively, and are included in investment income in the accompanying statements of revenues and expenses and changes in net position.

Goodwill and Other Intangible Assets

Intangible assets including goodwill are amortized over their estimated useful lives of 5 to 40 years.

Capital Assets

Property, plant, and equipment are recorded on the basis of cost. Provisions for depreciation are computed by the straight-line method based on the estimated useful lives of the assets.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflow of resources (expense) until then. In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

The Company allows employees to accumulate paid time off to be used for vacation, holiday and sick time. The Company allows employees to be paid for their vacation and holiday time not taken and accrues its liability for such time. Such liability is classified as accrued compensation and related expenses in the accompanying statements of net position.

Bond Original Issue Discounts

Bond original issue discounts or premiums are netted against the long-term debt accounts and are amortized over the life of the related bonds by the interest method. Such amortization is included in interest expense in the accompanying statements of revenues and expenses and changes in net position.

1. Significant Accounting Policies (continued)

Patient Accounts Receivable

Patient accounts receivable are reported net of both an estimated allowance for contractual adjustments and an estimated allowance for uncollectible accounts. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, TennCare and other third-party payor programs. The bad debt allowance is estimated based upon the age of the account, prior experience and any unusual circumstances which affect the collectability. The Company does not require collateral or other security for patient accounts receivable and routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

Charity Care and Community Benefit

As a community provider, the Company's policy is to accept all patients regardless of their ability to pay. Management believes that substantially all the uncollected amounts are due to patients' inability to pay. Therefore, all amounts which are not collected other than third-party payor contractual adjustments, are recorded as charity care and excluded from net patient service revenues. The community benefit provided through charity care, including provisions for bad debts, was $101,969,577 and $103,852,676, based on gross charges, for the years ended June 30, 2014 and 2013, respectively.

EHR Incentive Payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act ("HITECH"). The provisions were designed to increase the use of electronic health record ("EHR") technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

The Company accounts for HITECH incentive payments under a grant accounting model. Income from Medicare and Medicaid incentive payments is recognized ratably as revenue as the Company has demonstrated that it complied with the meaningful use criteria over the applicable compliance period. The Company recognized revenue from Medicare and Medicaid incentive payments after it adopted certified EHR technology. Incentive payments totaling $5,489,937 and $8,076,946 for the years ended June 30, 2014 and 2013, respectively, are included in other revenues in the accompanying statements of revenues and expenses and changes in net position. Income from

1. Significant Accounting Policies (continued)

EHR Incentive Payments (continued)

incentive payments is subject to retrospective adjustment as the incentive payments are calculated using cost report data that is subject to audit. Additionally, the Company's compliance with the meaningful use criteria is subject to audit by the federal government or its designee. Changes to recorded estimates could be significant and are recognized in the period they become known.

Net Patient Service Revenues

Net patient service revenues are reported at the net amounts billed to patients, third-party payors and others for services rendered, including an estimated provision for bad debts and estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as changes in estimated provisions and final settlements are determined. Changes in estimated provisions and final settlements are included in net patient service revenues. For the fiscal year ended June 30, 2014, changes in estimated settlements resulted in an increase to revenues of approximately $2,659,233 compared to an increase of $6,000,236 for the fiscal year ended June 30, 2013.

The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- *Medicare.* Inpatient acute care services and skilled nursing services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Company receives additional payments from Medicare based on the provision of services to a disproportionate share of Medicaid-eligible and other low income patients. The Center for Medicare and Medicaid Services ("CMS") established an outpatient prospective payment system. CMS established groups called ambulatory payment classifications for outpatient procedures. Payments are made based on the group assignment for the service rendered. Additionally, CMS established a prospective payment system for home health services.

- *TennCare.* The Company contracts with managed care organizations to receive reimbursement for providing hospital services to patients covered under the TennCare program. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges or prospectively determined daily rates.

1. Significant Accounting Policies (continued)

Net Patient Service Revenues (continued)

- *Other*. The Company has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The bases for payment to the Company under these agreements include prospectively determined rates per discharge, discounts from established charges or prospectively determined daily rates.

Charges at the Company's established billing rates (gross patient service charges) related to patients covered by Medicare, Medicaid, and TennCare programs were 62% and 63% of gross patient service revenues for the fiscal years ended 2014 and 2013, respectively.

Charges exceeding amounts reimbursed and not included in net patient service revenues were as follows:

	Year Ended June 30	
	2014	2013
Medicare	$ 559,410,645	$ 498,825,224
TennCare	187,593,924	168,725,846
Other	322,223,860	294,256,868
Bad debts	70,639,945	67,838,070
	$ 1,139,868,374	$ 1,029,646,008

Laws and regulations governing the Medicare and TennCare/Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined (in relation to certain government programs, primarily Medicare, this is generally referred to as the "cost report" filing and settlement process). Final determination of amounts earned under prospective payment and cost reimbursement activities is subject to review by appropriate governmental authorities or their agents. Management believes that adequate provisions have been made for adjustments that may result from final determination of amounts earned under Medicare and Medicaid programs.

Essential access, critical access, Federal Medical Percentage Assistance and Medicaid Disproportionate Share payments of approximately $7,631,110 and $7,114,381 received from TennCare/Medicaid were included in net revenues during the years ended June 30, 2014 and 2013, respectively.

The Company believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and TennCare/Medicaid programs.

1. Significant Accounting Policies (continued)

Operating Revenues

The Company's primary mission is to provide health care services to the citizens of West Tennessee through its acute care and specialty care facilities. Therefore, operating revenues include those generated from direct patient care and sundry revenues related to the operation of the Company's facilities.

Federal Income Taxes

The Internal Revenue Service has determined that all material affiliates comprising the Company are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The District is also exempt from federal income taxes under Section 115 of the IRC. As qualified tax-exempt organizations, each of the tax-exempt affiliates comprising the Company must operate in conformity with the IRC to maintain its tax-exempt status.

2. Restatement of Prior Year's Results Due to New Pronouncements

The Company implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the fiscal year 2014. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflow of resources certain items that were previously reported as assets and liabilities. The Company historically has recognized bond issuance costs as other assets and amortized these costs over the life of the associated debt; however, due to the implementation of GASB Statement No. 65, the Company restated prior periods presented to show the write-off of the total unamortized bond issuance costs and the reversal of amortized costs of $2,096,574 and $113,425, respectively at June 30, 2013, for a total reduction of $1,983,149 in total net position. Additionally, the loss on bond refunding of $5,990,940 at June 30, 2013, was reclassified as a deferred outflow of resources (deferred charges on refundings).

The following table summarizes the effects of the implementation of GASB Statement No. 65 on the Statement of Net Position as of June 30, 2013.

		Adjustments		
	Balance as of June 30, 2013	Deferred Outflows	Bond Issue Costs	Restated Balance June 30, 2013
Total current assets	$ 148,465,258	$ -	$ -	$ 148,465,258
Total non-current assets	741,485,618	-	(1,983,149)	739,502,469
Total assets	889,950,876	-	(1,983,149)	887,967,727
Deferred outflows of resources	-	5,990,940	-	5,990,940
Total assets and deferred outflows	$ 889,950,876	$ 5,990,940	$ (1,983,149)	$ 893,958,667

2. Restatement of Prior Year's Results Due to New Pronouncements (continued)

		Adjustments		
	Balance as of June 30, 2013	Deferred Outflows	Bond Issue Costs	Restated Balance June 30, 2013
Total current liabilities	$ 72,130,290	$ -	$ -	$ 72,130,290
Total non-current liabilities	283,481,359	5,990,940	-	289,472,299
Total liabilities	355,611,649	5,990,940	-	361,602,589
Net position				
Unrestricted	383,092,859	-	(1,983,149)	381,109,710
Net investment in capital assets	124,355,582	-	-	124,355,582
Restricted for debt service	26,890,786	-	-	26,890,786
Total net position	534,339,227	-	(1,983,149)	532,356,078
Total liabilities and net position	$ 889,950,876	$ 5,990,940	$ (1,983,149)	$ 893,958,667

The following table summarizes the effects of the implementation of GASB Statement No. 65 on the Statement of Revenues, Expenses and Changes in Net Position as of June 30, 2013.

		Adjustments		
	Balance as of June 30, 2013	Deferred Outflows	Bond Issue Costs	Restated Balance June 30, 2013
Total operating revenues	$ 614,034,496	$ -	$ -	$ 614,034,496
Total operating expenses	534,716,830	-	-	534,716,830
Depreciation and amortization	48,016,258	-	-	48,016,258
Operating income	31,301,408	-	-	31,301,408
Total non-operating expenses, net	(2,692,815)	-	113,425	(2,579,390)
Change in net position	28,608,593	-	113,425	28,722,018
Total net position – beginning of year	505,730,634	-	(2,096,574)	503,634,060
Total net position – end of year	$ 534,339,227	$ -	$(1,983,149)	$ 532,356,078

3. Restricted Assets

The Company, as authorized by the Board of Trustees, maintains checking accounts necessary for daily operations, deposits for the contingency fund, and deposits and investments for the funded depreciation funds. The bond funds are maintained in accordance with the bond indenture related to the Series 2008 $318,980,000 Hospital Revenue Refunding and Improvement Bonds (see Note 6). The interest fund and bond sinking fund are maintained for the payment of bond principal and interest. A debt service reserve fund is maintained to make up any deficiencies in the interest fund and bond sinking fund. Certain amounts comprising the interest fund, bond sinking fund and debt service reserve fund are included in current portion of restricted assets in the accompanying statements of net position based on debt service requirements during the following fiscal year. The Company first applies restricted resources when expenses are incurred for purposes for which both restricted and unrestricted assets are available.

3. Restricted Assets (continued)

The Company's investments and deposits classified as restricted assets are categorized to give an indication of the level of risk assumed by the Company as of year-end. The Company's investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* The Company invests in government and corporate bonds, equity securities, alternative investments and short-term money market investments that are in accordance with the Company's investment policy.

A summary of restricted assets follows:

	June 30 2014	June 30 2013
Externally restricted by bond indenture agreement – held by bond trustee:		
Cash and short-term investments	$ 27,029,427	$ 26,890,786
Internally designated for capital acquisitions:		
Cash and short-term investments	2,130,164	843,575
Corporate and U.S. agency bond funds	70,339,447	69,008,737
Real estate and mortgage fund	13,945,884	14,416,401
Equity securities	100,647,733	95,007,929
	187,063,228	179,276,642
Other internally designated funds for operations:		
Cash and short-term investments	6,152,293	35,121,750
U.S. government agency obligations	46,492,493	31,277,787
Real estate and mortgage fund	9,217,856	6,534,145
Equity securities	66,525,459	43,061,762
	128,388,101	115,995,444
Total restricted assets	342,480,756	322,162,872
Amounts required to meet current obligations	(5,660,068)	(5,190,102)
	$ 336,820,688	$ 316,972,770

4. Cash and Investments

At June 30, 2014 and 2013, the Company had cash and deposits as follows:

	June 30 2014	June 30 2013
Cash on hand	$ 13,300	$ 13,872
Cash insured (FDIC) or collateralized with securities held by the Company	2,000,000	2,250,000
Cash collateralized by securities held by the pledging financial institution's trust department in the Company's name or in the State of Tennessee Collateral Pool	30,722,222	29,677,149
Total	$ 32,735,522	$ 31,941,021

4. Cash and Investments (continued)

The types of securities which are permitted investments for Company funds are established by the Company's Investment Policy in accordance with Tennessee Statutes. All funds of the Company may be invested in obligations of or guaranteed by the United States Government. In addition, certain funds of the Company may be invested in obligations of agencies of the U.S. government; obligations of or guaranteed by the State of Tennessee; collateralized certificates of deposit and repurchase agreements; commercial paper; and other asset classes including fixed income, domestic equities, international equities, and alternative investments.

At June 30, 2014 and 2013, the Company had restricted assets in the amount of $35,311,884 and $35,965,326, respectively, invested in short-term investments, which include U.S. agencies and a sweep account secured by Agency securities held by the Trustee. All investments are carried at fair value.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* the Company has assessed the Custodial Credit Risk, the Concentration of Credit Risk, Credit Risk, and Interest Rate Risk of its Cash and Investments.

(a) Custodial Credit Risk – The Company's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or are collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Company will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Company's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Company, and are held by either the counterparty or the counterparty's trust department or agent but not in the Company's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Company will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

At June 30, 2014 and 2013, the Company's bank balances were not exposed to custodial credit risk since the full amount was covered by FDIC insurance or collateralized by securities held by the pledging financial institution's Trust department in the Company's name or by the State of Tennessee Collateral Pool.

As of June 30, 2014 and 2013, the Company's restricted asset investments were comprised of various short-term investments, trusteed funds, corporate and U.S. agency bond funds, real estate mortgage funds, equity securities and alternative investments. Since the investments are registered in the Company's name, they are not exposed to custodial credit risk. In addition, the Company's investment policy requires that specific qualifications be met in order to represent the Company as a custodian.

4. Cash and Investments (continued)

(b) Concentration of Credit Risk – This is the risk associated with the amount of investments the Company has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Company's investment policy states that no equity may represent more than 8% of any individual portfolio manager and that no single purchase shall represent more than 5% of the Company's total equity position.

(c) Credit Risk – GASB Statement No. 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Company's investment policy provides guidelines for its fund managers and lists specific allowable investments. The policy provides for the utilization of varying styles of managers so that portfolio diversification is maximized and total portfolio efficiency is enhanced.

The credit risk profile of the Company's investments as of June 30, 2014, is as follows:

Investment Type	Balance as of June 30, 2014	Rating AAA	A	A-	NA
Restricted assets:					
Cash and short-term investments	$ 35,311,884	$ 3,538,141	$ -	$ -	$ 31,773,743
Corporate and U.S. agency bond funds	116,831,940	-	53,165,767	41,783,867	21,882,306
Real estate and mortgage fund	23,163,740	-	-	-	23,163,740
Equity securities	167,173,192	-	-	-	167,173,192
Total	342,480,756	3,538,141	53,165,767	41,783,867	243,992,981
Amounts required to meet current obligations	(5,660,068)	-	-	-	(5,660,068)
Total investments	$ 336,820,688	$ 3,538,141	$53,165,767	$ 41,783,867	$ 238,332,913

(d) Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Company's Investment Policy authorizes a strategic asset allocation that is designed to provide an optimal return over the Company's investment horizon and within the Company's risk tolerance and cash requirements.

4. Cash and Investments (continued)

The distribution of the Company's investments by maturity as of June 30, 2014, is as follows:

		Maturity				
Investment Type	Balance as of June 30, 2014	12 Months or Less	12 to 24 Months	24 to 60 Months	Greater than 60 Months	NA
Restricted assets:						
Cash and short-term investments	$ 35,311,884	$14,012,172	$ -	$ 21,299,713	$ -	$ -
Corporate and U.S. agency bond funds	116,831,940	-	-	116,831,940	-	-
Real estate and mortgage fund	23,163,740	-	-	-	-	23,163,740
Equity securities	167,173,192	-	-	-	-	167,173,192
Total investments	342,480,756	14,012,172	-	138,131,653	-	190,336,932
Amounts required to meet current obligations	(5,660,068)	(5,660,068)	-	-	-	-
Total investments	$ 336,820,688	$ 8,352,104	$ -	$ 138,131,653	$ -	$ 190,336,932

For the years ended June 30, 2014 and 2013, investment income is comprised of the following:

	2014	2013
Interest, dividends, and realized gains on investments	$ 5,143,351	$ 5,896,890
Net increase in fair value of investments	26,026,643	10,821,114
	$ 31,169,994	$ 16,718,004

5. Wellness Center Loan Receivable

During the fiscal year ended June 30, 2012, Jackson-Madison County General Hospital executed a promissory note with the WF Healthy Community Investment Fund, LLC in the amount of $16,872,584 for development of the Wellness Center, known as the LIFT at the Jackson Walk development in downtown Jackson. Such note bears interest at the rate of 4.25% until maturity and is payable quarterly. Beginning January 1, 2019, and continuing until the maturity date of September 30, 2041, Jackson-Madison County General Hospital will make quarterly payments of $384,000, which includes principal and interest.

6. Disaggregation of Payable Balances

Accounts payable at June 30, 2014 and 2013, consisted of the following:

	2014	2013
Due to vendors	$ 12,906,443	$ 16,912,835
Due to patients	980,512	772,874
Other	447,769	447,305
Total accounts payable	$ 14,334,724	$ 18,133,014

Other accrued expenses at June 30, 2014 and 2013, consisted of the following:

	2014	2013
Self-insured professional liability	$ 3,256,671	$ 3,088,195
Self-insured employee health claims liability	3,598,000	7,276,667
Other	1,626,815	3,001,307
Total other accrued expenses	$ 8,481,486	$ 13,366,179

7. Capital Assets

Capital assets activity for the years ended June 30, 2014 and 2013, consisted of the following:

	Balance at June 30, 2013	Additions	Transfers	Reductions	Balance at June 30, 2014
Land	$ 32,263,245	$ 1,479,182	$ -	$ (81,223)	$ 33,661,204
Land improvements	14,621,575	16,992	565,803	(23,983)	15,180,387
Building	287,318,752	822,709	27,616,929	(11,903,577)	303,854,813
Equipment	576,964,980	20,125,968	19,076,300	(6,831,808)	609,335,440
Subtotal	911,168,552	22,244,851	47,259,032	(18,840,591)	962,031,844
CIP	30,390,343	25,124,846	(47,259,032)	(599,308)	7,656,848
Total	941,558,895	47,569,697	-	(19,439,899)	969,688,692
Accumulated depreciation	(549,722,325)	(47,301,408)	-	12,466,036	(584,557,697)
Net capital assets	$ 391,836,570	$ 268,289	$ -	$ (6,973,863)	$ 385,130,995

7. Capital Assets (continued)

	Balance at June 30, 2012	Additions	Transfers	Reductions	Balance at June 30, 2013
Land	$ 31,890,236	$ 343,527	$ 55,473	$ (25,991)	$ 32,263,245
Land improvements	14,685,782	19,500	(8,913)	(74,794)	14,621,575
Building	285,630,837	167,807	1,682,461	(162,353)	287,318,752
Equipment	554,762,648	21,821,639	2,468,490	(2,087,797)	576,964,980
Subtotal	886,969,503	22,352,473	4,197,511	(2,350,935)	911,168,552
CIP	3,808,513	31,180,582	(4,197,511)	(401,241)	30,390,343
Total	890,778,016	53,533,055	-	(2,752,176)	941,558,895
Accumulated depreciation	(504,181,605)	(47,693,237)	-	2,152,517	(549,722,325)
Net capital assets	$ 386,596,411	$ 5,839,818	$ -	$ (599,659)	$391,836,570

The Company recognized a loss in fiscal year 2014 of $5,946,139 due to write-down in value of a building formerly leased to the Jackson Clinic. During the fiscal year, the building became vacant. The amount of the reduction in value relates to portions of the building determined to be unusable through space planning work conducted during the fiscal year. The impairment loss is included in supplies and other expense in the accompanying 2014 statement of revenues and expenses and changes in net position.

Depreciation is computed by applying the straight-line method over the estimated remaining useful lives of buildings and improvements (10 to 40 years) and equipment (4 to 20 years). Assets under capital leases are amortized using the straight-line method over the shorter of the estimated useful life of the assets or life of the lease term, excluding any lease renewal, unless the lease renewals are reasonably assured. Amortization expense related to assets under capital leases is included in depreciation expense. The Company's capitalization threshold is $1,000 and a minimum useful life of 2 years. Depreciation expense totaled $47,301,408 and $47,693,237 during the years ended June 30, 2014 and 2013, respectively.

Construction in progress at June 30, 2014, consists of various projects for additions and renovations to the Company's facilities. The Company has outstanding contracts and other commitments related to the completion of these projects. The Company estimates approximately $3,799,000 in costs to complete these projects.

8. Long-Term Debt and Capital Lease Obligations

Long-term debt consists of the following:

	June 30 2014	June 30 2013
Hospital Revenue Bonds, Series 2008	$ 294,054,999	$ 298,950,000
Less unamortized bond discount	(4,317,722)	(4,582,701)
	289,737,277	294,367,299
Capital lease obligation	-	37,435
	289,737,277	294,404,734
Amounts due within one year	(5,144,999)	(4,932,435)
	$ 284,592,278	$ 289,472,299

In August 2008, the District issued $318,980,000 of Series 2008 Hospital Revenue Refunding and Improvement Bonds. With the 2008 fixed rate bond issue, the District has eliminated all auction rate and variable rate debt. A portion of the proceeds was used to refund $78,350,000 of its Series 2003 Auction Rate Hospital Revenue Bonds; $48,725,000 of its Series 2006A Auction Rate Hospital Revenue Bonds; and $143,600,000 of its Series 2006B Variable Demand Rate Hospital Revenue Refunding and Improvement Bonds. A Debt Service Reserve Fund was created under the 2008 indenture. On the date of issuance of the 2008 bonds, $21,299,713 of the proceeds of the 2008 bonds were deposited in the Debt Service Reserve Fund. The remaining proceeds of the Series 2008 Bonds will be used to fund capital improvements of certain facilities of the District.

The District's revenues are pledged as collateral to the Series 2008 Bond Issue. Interest rates range from 3.5% to 5.75% on the Series 2008 bond issue. The Company paid interest of $16,446,522 and $16,662,299 for the years ended June 30, 2014 and 2013, respectively.

Long-term debt activity (excluding unamortized bond discount) for the years ended June 30, 2014 and 2013, consisted of the following:

	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014
Bonds payable	$ 303,630,000	$ -	$ 4,680,000	$ 298,950,000	$ -	$ 4,895,001	$ 294,054,999
Other	124,999	-	87,565	37,434	-	37,434	-
Total long-term debt	$ 303,754,999	$ -	$ 4,767,565	$ 298,987,434	$ -	$ 4,932,435	$ 294,054,999

8. Long-Term Debt and Capital Lease Obligations (continued)

Scheduled principal and interest payments, including capital lease obligations and bonds payable, are as follows:

	Principal	Interest	Total
Fiscal Years Ending June 30:			
2015	$ 5,144,999	$ 16,152,081	$ 21,297,080
2016	5,390,000	15,909,519	21,299,519
2017	5,665,000	15,630,069	21,295,069
2018	5,940,000	15,359,606	21,299,606
2019	6,245,000	15,051,269	21,296,269
2020–2024	36,505,000	69,979,569	106,484,569
2025–2029	47,320,000	59,163,225	106,483,225
2030–2034	61,710,000	44,776,763	106,486,763
2035–2039	80,950,000	25,536,375	106,486,375
2040-2041	39,185,000	3,411,187	42,596,187
	294,054,999	280,969,663	575,024,662
Unamortized bond discount	(4,317,722)	-	(4,317,722)
Total	$ 289,737,277	$ 280,969,663	$ 570,706,940

9. Leases

The Company leases equipment under various operating leases. Rent expense for all operating leases and office space was approximately $5,320,118 and $4,561,763 for the years ended June 30, 2014 and 2013, respectively. Approximate minimum future rental payments, by year and in the aggregate, under noncancellable operating leases with initial terms of one year or more are as follows at June 30, 2014:

2015	$ 4,583,000
2016	4,208,000
2017	3,506,000
2018	2,863,000
2019	2,849,000
2020-2024	6,620,000
2025-2029	5,579,000
2030-2033	3,906,000
	$ 34,114,000

10. Retirement Plans

The Company maintains and administers a noncontributory defined benefit pension plan (the "Plan"), a defined contribution plan, a supplemental 415(m) plan, and an other post-employment benefits plan. The operation of the Plans is consistent with the laws of Tennessee and the United States federal government.

Defined Benefit Plan

The Plan was discontinued for employees hired after June 30, 2010. The West Tennessee Pension Plan is a single-employer defined benefit pension plan. All employees hired after October 1, 2005 and prior to June 30, 2010, are covered on the fifth anniversary of their date of hire after they have completed at least 1,800 hours of employment per year. The Plan provides retirement, termination, disability, and death benefits to plan members and beneficiaries.

The Company has no legal or plan requirements to fund the Plan. The Company has established a policy of funding the end of the Plan year normal cost plus amortization of the unfunded actuarial accrued liability in level dollar amounts over a 30-year period beginning January 1, 2009, up to fully funding the accrued liability using the Projected Unit Credit Cost Method.

Current year contributions made to the Plan equaled 99% of the annual pension cost. Contributions made to the Plan in 2005 equaled the annual pension cost plus an additional one-time discretionary contribution of $6,300,006. Therefore, the net pension obligation had an ending credit balance of $5,142,601 at June 30, 2014, and $5,224,600 at June 30, 2013.

The annual required contribution ("ARC") for the fiscal year ending June 30, 2014, was determined as part of the actuarial valuation for the Plan year beginning January 1, 2013, and was determined using the Projected Unit Credit Cost Method with amortization of the unfunded actuarial liability over 25 years. The actuarial assumptions included (a) 6.5% post-retirement and 6.5% pre-retirement investment rate of return and (b) a projected salary increase of 3.5% per year. Both (a) and (b) include an inflation component of 2.5%. Prior to January 1, 2009, the actuarial value of assets was equal to the market value of assets reported by First Tennessee Bank and CNA Insurance Company. Effective January 1, 2009, a 5-year smoothing method was adopted prospectively. Investment experience different from expected is recognized on a pro rata basis over a 5-year period. The actuarial value of assets at January 1, 2014, reflects three years of smoothing.

10. Retirement Plans (continued)

The annual pension cost for the fiscal year ending June 30, 2014 and 2013, was calculated as follows:

	2014	2013
Annual required contribution	$ 12,992,015	$ 13,093,111
Interest on beginning of year net pension credit	(339,599)	(370,699)
Adjustment to ARC	421,598	441,797
Annual pension cost ("APC")	$ 13,074,014	$ 13,164,209

The funded status of the defined benefit plan, including three year trend information, was as follows:

Defined Benefit Pension Plan Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net Pension Obligation (Credit)
June 30, 2012	$12,622,215	99%	$(5,295,698)
June 30, 2013	13,164,209	99	(5,224,600)
June 30, 2014	13,074,014	99	(5,142,601)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Total Unfunded AAL Funding Deficit) ("UAAL")	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2013	$ 184,953,998	$ 249,309,801	$ 64,355,803	74%	$ 152,440,972	42%

Defined Contribution Plan

The Company also maintains a defined contribution plan under Section 403(b) of the IRC which provides for voluntary contributions by employees upon employment and matching contributions by the Company after 90 days of service. Substantially all employees of the Company are eligible and may contribute up to 100% of their compensation, subject to certain IRC limitations. During the fiscal year ended June 30, 2012, upon January 1 or July 1 after the completion of 90 days of credited service, for every 1% the employee invested up to 6%, the Company matched 25% of the employee's contribution. Beginning on January 1, 2013, upon January 1 or July 1 after the completion of 90 days of credited service, for every 1% the employee invested up to 6%, the Company matched 50% of the employee's contribution. The Company recognized expense related to the 403(b) Plan of $3,503,304 in 2014 and $2,769,964 in 2013.

10. Retirement Plans (continued)

Supplemental 415(m) Retirement Plan

In 2005, the Company established a supplemental 415(m) retirement plan (the "415 Plan"). The 415 Plan provides monthly benefits equal to the benefit that cannot be paid from the Plan due to the application of the IRC Section 415 limits. Because the 415 Plan is unfunded, these benefit payments are deemed contributions when paid.

The funded status of the 415 Plan, including three year trend information, was as follows:

Supplemental 415(m) Plan Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net 415 Plan Obligation
June 30, 2012	$85,842	82%	$284,739
June 30, 2013	86,745	81	301,527
June 30, 2014	93,841	75	325,411

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Total Unfunded AAL (Funding Deficit) (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	$ –	$ 1,069,038	$ 1,069,038	– %	N/A	– %

The ARC for the fiscal year ending June 30, 2014, was determined as part of the actuarial valuation for the Plan year beginning January 1, 2013, and was determined using the Projected Unit Credit Cost Method with amortization of the unfunded actuarial liability over 20 years with 11 years remaining.

Other Post-Employment Benefits ("OPEB")

The Company accounts for OPEBs in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Company provides certain postretirement health insurance benefits to certain retired employees and their beneficiaries.

10. Retirement Plans (continued)

Other Post-Employment Benefits ("OPEB") (continued)

Projections of benefits for financial reporting purposes are based on the terms of the plan and the following actuarial assumptions which were determined as part of the January 1, 2013, actuarial valuation. The Company's ARC is calculated using the Projected Unit Credit actuarial cost method. The unfunded actuarial accrued liability is amortized using a level percentage of pay with a 30-year closed amortization period, of which 23 years remain. The actuarial assumptions included 6.5% post-retirement and 6.5% pre-retirement investment rate of return and a projected salary increase of 3.5% per year.

The funded status of the OPEB Plan, including three year trend information, was as follows:

OPEB Plan Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net OPEB Obligation
June 30, 2012	$937,560	100%	$ -
June 30, 2013	908,366	100	-
June 30, 2014	1,051,428	100	-

The amount contributed by the Company for the fiscal year ended June 30, 2014, was $1,051,428, which consisted of $558,717 plus benefit payments of $492,711 made on behalf of the plan. The balance contributed by the Company for the fiscal year ended June 30, 2013, was $908,366, which consisted of $619,657 plus benefit payments of $288,709 made on behalf of the plan.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Total Unfunded AAL (Funding Deficit) (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2013	$ 3,776,350	$ 10,716,322	$ 6,939,972	35%	$ 230,246,000	3%

11. Commitments and Contingencies

The Company is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Settled claims have not exceeded this commercial coverage in any of the three preceding years.

11. Commitments and Contingencies (continued)

Professional Liability

The Company established the contingency fund as a professional liability self-insurance fund in accordance with the Government Tort Liability Act, which restricts the District's exposure to professional liability risks to a pre-determined amount per occurrence.

The District is a "governmental entity" within the meaning of the Tennessee Governmental Tort Liability Act (the "Tort Act"). As such, its maximum liability for state law tort causes of action is $300,000 for bodily injury or death of any one person in accident, occurrence, or act, and $700,000 for bodily injury or death of all persons in any one accident, occurrence, or act. These limits are subject to change by the Tennessee Legislature. Prior to July 1, 2002, the Tennessee Governmental Tort Liability limited local government tort liability to $130,000 for individual injury or death in any one occurrence and $350,000 for injury or death of all persons in any one occurrence.

Investment earnings on contingency fund assets were $126,647 and $160,724 for the years ended June 30, 2014 and 2013, respectively, and are included in investment income in the accompanying statements of revenues and expenses and changes in net assets.

The Company's accrual for self-insured professional liability risks was $3,256,671 and $3,088,195 at June 30, 2014 and 2013, respectively, and was based on asserted claims for occurrences prior to that date. The Company does not accrue for unasserted claims or occurrences. In the opinion of management, any liability for such unasserted claims or occurrences would not materially affect the financial position of the Company.

Workers' Compensation

Under the Tennessee Workers' Compensation Law, governmental entities such as the District need not accept the workers' compensation system, thereby remaining subject to common law liability for work-related injuries and retaining all common law defenses to such claims. The limits of liability under the Tort Act are applicable to such claims. The District has not accepted the workers' compensation system. The Tennessee Supreme Court has ruled this exemption applicable to the District's affiliate nonprofit corporations as well.

11. Commitments and Contingencies (continued)

Employee Health

The Company is self-insured with respect to employee health insurance. Estimates of health insurance claims incurred but unpaid as of June 30, 2014 and 2013, are accrued based on estimates that incorporate the Company's past experience, as well as other considerations including the nature of claims and relevant trends. The Company had accrued a liability for incurred but unpaid claims of approximately $3,598,000 and $7,276,667, as of June 30, 2014 and 2013, respectively, which is included in other accrued expenses in the accompanying statements of net position. The expenses related to claims paid during the years ended June 30, 2014 and 2013, are $39,614,409 and $29,952,116, respectively, and are included in salaries and benefits expense.

The following represents changes in those aggregate liabilities for estimates of health insurance for the years ended June 30:

	2014	2013	2012
Claims payable, beginning of year	$ 7,276,667	$ 10,445,233	$ 9,630,758
Incurred claims expense	39,614,409	29,952,116	32,557,260
Claims payments	(43,293,076)	(33,120,682)	(31,742,785)
Claims payable, end of year	$ 3,598,000	$ 7,276,667	$ 10,445,233

Litigation

The Company is subject to claims and suits which arise in the ordinary course of business. In the opinion of management, reserves for estimated losses on pending legal proceedings are adequate, and the ultimate resolution of any pending legal proceedings will not have a material effect on the Company's financial position.

12. Obligated Group

As disclosed in Note 6, the Company has revenue bonds outstanding that are payable from the operating revenues of certain affiliates of the District (the Obligated Group). Summary financial information for the Obligated Group is as follows:

	June 30	
	2014	2013
Assets		
Current assets	$ 116,592,994	$ 107,572,894
Capital assets	373,961,157	374,618,178
Other assets	339,581,019	317,346,418
	830,135,170	799,537,490
Deferred outflows of resources	5,398,807	5,990,940
Total assets and deferred outflows	$ 835,533,977	$ 805,528,430

12. Obligated Group (continued)

	Year Ended June 30 June 30 2014	2013
Liabilities		
Current liabilities	$ 10,026,195	$ 33,511,529
Long-term debt	284,592,278	289,472,299
	294,618,473	322,983,828
Net position		
Unrestricted net position	405,351,166	348,516,625
Invested in capital assets, net of related financing	108,534,911	107,137,191
Restricted net position	27,029,427	26,890,786
	540,915,504	482,544,602
Total liabilities and net position	$ 835,533,977	$ 805,528,430

	2014	2013
Net patient service revenues	$ 519,106,002	$ 495,078,713
Other operating revenues	28,259,049	22,875,158
Total revenues	547,365,051	517,953,871
Operating expenses	467,902,705	440,065,630
Depreciation	44,662,211	44,496,928
Total expenses	512,564,916	484,562,558
Operating income	34,800,135	33,391,313
Net nonoperating revenues	26,905,316	12,990,018
Interest expense	(17,248,129)	(17,506,401)
Income before transfers	44,457,322	28,874,930
Transfers	13,913,580	(21,684,788)
Increase in net position	58,370,902	7,190,142
Net position, beginning of year	482,544,602	475,354,460
Net position, end of year	$ 540,915,504	$ 482,544,602
Net cash provided by (used in):		
Operating activities	$ 44,394,644	$ 96,053,745
Noncapital financing activities	12,451,772	(23,475,781)
Capital and related financing activities	(65,058,418)	(72,857,445)
Investing activities	5,185,669	(3,903,609)
Net decrease in cash and cash equivalents	(3,026,333)	(4,183,090)
Cash and cash equivalents, beginning of year	20,142,456	24,325,546
Cash and cash equivalents, end of year	$ 17,116,123	$ 20,142,456

13. Concentrations

The Company purchased approximately 45% and 43% of medical supplies and drugs from two vendors for the years ended June 30, 2014 and 2013, respectively.

14. Blended Component Units

We consider Jackson-Madison County General Hospital, Bolivar General Hospital, Camden General Hospital, Gibson General Hospital, Humboldt General Hospital, Milan General Hospital, Pathways Behavioral Health, Medical Center Medical Products, Health Partners, Therapy & Learning Center and the West Tennessee Medical Group blended component units ("BCUs") of West Tennessee Healthcare, as the governing body is substantively the same as the governing body of West Tennessee Healthcare and has operational responsibility of these component units.

In January 2014, Humboldt General Hospital and Gibson General Hospital ceased operations and those corporations were closed. The assets of those hospitals were transferred to Jackson-Madison County General Hospital.

In the statements that follow, we present condensed combining information for the BCUs mentioned above.

Statements of Net Position

June 30, 2014	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Camden General Hospital	Pathways Behavioral Health	Medical Center Medical Products	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	Eliminations	Total BCUs
Current assets:											
Cash and cash equivalents	$ 17,116,123	$ 2,229,928	$ 1,408,753	$ 2,016,031	$ 4,095,883	$ -	$ 3,016,433	$ 2,852,371	$ -	$ -	$ 32,735,522
Accounts receivable, net	93,371,716	1,513,504	911,125	861,317	1,443,610	1,447,327	2,290,329	-	336,521	-	102,175,449
Other receivables	6,990,295	(172,809)	(174,636)	722,667	569,942	1,245	316,533	-	387,186	(3,892,159)	4,748,264
Inventories	4,782,002	209,717	177,241	176,767	136,581	679,762	225,848	-	-	-	6,387,918
Prepaid expenses	7,153,657	-	-	-	-	-	-	-	-	-	7,153,657
Restricted assets - current portion	5,660,068	-	-	-	-	-	-	-	-	-	5,660,068
Total current assets	135,073,861	3,780,340	2,322,483	3,776,782	6,246,016	2,128,334	5,849,143	2,852,371	723,707	(3,892,159)	158,860,878
Restricted assets	309,364,777	10,151,685	6,679,460	2,169,825	8,454,941	-	-	-	-	-	336,820,688
Other assets	30,216,243	-	-	-	-	-	-	-	-	-	30,216,243
Capital assets, net	372,560,404	2,495,077	2,905,183	1,058,671	1,889,462	1,400,753	1,161,968	11,641	1,647,836	-	385,130,995
Total assets	847,215,285	16,427,102	11,907,126	7,005,278	16,590,419	3,529,087	7,011,111	2,864,012	2,371,543	(3,892,159)	911,028,804
Deferred outflows of resources	5,398,807	-	-	-	-	-	-	-	-	-	5,398,807
Total assets and deferred outflows of resources	$ 852,614,092	$ 16,427,102	$ 11,907,126	$ 7,005,278	$ 16,590,419	$ 3,529,087	$ 7,011,111	$ 2,864,012	$ 2,371,543	$ (3,892,159)	$ 916,427,611
Current liabilities:											
Accounts payable	$ 13,598,832	$ 92,263	$ 64,798	$ 61,331	$ 77,555	$ 255,841	$ 171,217	$ -	$ 12,887	$ -	$ 14,334,724
Long-term debt due within one year	5,144,999	-	-	-	-	-	-	-	-	-	5,144,999
Accrued compensation and related expenses	23,954,894	170	75	20,804	-	151	540,544	-	-	-	24,516,638
Accrued interest expense	4,035,955	-	-	-	-	-	-	-	-	-	4,035,955
Other accrued expenses	(2,190,165)	(65,220)	(5,429,648)	656,830	1,316,633	(20,609,201)	28,152,070	738,112	9,804,234	(3,892,159)	8,481,486
Estimated third-party settlements	6,444,093	309,055	(186,587)	385,496	2,031	-	2,745	-	-	-	6,956,833
Total current liabilities	50,988,608	336,268	(5,551,362)	1,124,461	1,396,219	(20,353,209)	28,866,576	738,112	9,817,121	(3,892,159)	63,470,635
Other liabilities:											
Long-term debt, less amounts due within one year	284,592,278	-	-	-	-	-	-	-	-	-	284,592,278
Total liabilities	335,580,886	336,268	(5,551,362)	1,124,461	1,396,219	(20,353,209)	28,866,576	738,112	9,817,121	(3,892,159)	348,062,913
Net position:											
Unrestricted	382,869,621	13,595,757	14,553,305	4,822,146	13,304,738	22,481,543	(23,017,433)	2,114,259	(9,093,414)	-	421,630,522
Net investment in capital assets	107,134,158	2,495,077	2,905,183	1,058,671	1,889,462	1,400,753	1,161,968	11,641	1,647,836	-	119,704,749
Restricted for debt service	27,029,427	-	-	-	-	-	-	-	-	-	27,029,427
Total net position	517,033,206	16,090,834	17,458,488	5,880,817	15,194,200	23,882,296	(21,855,465)	2,125,900	(7,445,578)	-	568,364,698
Total liabilities and net position	$ 852,614,092	$ 16,427,102	$ 11,907,126	$ 7,005,278	$ 16,590,419	$ 3,529,087	$ 7,011,111	$ 2,864,012	$ 2,371,543	$ (3,892,159)	$ 916,427,611

Statements of Net Position

June 30, 2013	Jackson-Madison County General Hospital	Humboldt General Hospital	Gibson General Hospital	Milan General Hospital	Bolivar General Hospital	Camden General Hospital	Pathways Behavioral Health	Medical Center Medical Products	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	Eliminations	Total BCUs
Current assets:													
Cash and cash equivalents	$ 20,142,456	$ 864,955	$ 799,117	$ 1,082,099	$ 816,491	$1,108,258	$ 2,322,058	$ -	$ 1,912,407	$2,893,180	$ -	$ -	$ 31,941,021
Accounts receivable, net	76,289,996	923,685	731,422	1,183,903	799,842	854,486	2,262,757	1,576,059	3,029,827	-	313,310	-	87,965,287
Other receivables	11,377,202	1,787,812	1,652,294	1,748,000	1,864,249	631,835	1,029,790	2,793	104,659	-	446,311	(10,270,957)	10,373,988
Inventories	4,156,526	210,510	123,621	173,940	190,562	174,892	129,340	616,097	201,829	-	-	-	5,977,317
Prepaid expenses	7,017,543	-	-	-	-	-	-	-	-	-	-	-	7,017,543
Restricted assets - current portion	5,190,102	-	-	-	-	-	-	-	-	-	-	-	5,190,102
Total current assets	124,173,825	3,786,962	3,306,454	4,187,942	3,671,144	2,769,471	5,743,945	2,194,949	5,248,722	2,893,180	759,621	(10,270,957)	148,465,258
Restricted assets	286,653,288	4,611,381	975,691	9,144,684	6,016,888	1,954,589	7,616,249	-	-	-	-	-	316,972,770
Other assets	30,693,129	-	-	-	-	-	-	-	-	-	-	-	30,693,129
Capital assets, net	373,321,268	4,124,767	1,179,989	2,647,709	2,990,173	1,032,691	2,263,848	1,296,911	1,742,511	15,745	1,220,958	-	391,836,570
Total assets	814,841,510	12,523,110	5,462,134	15,980,335	12,678,205	5,756,751	15,624,042	3,491,860	6,991,233	2,908,925	1,980,579	(10,270,957)	887,967,727
Deferred outflows of resources	5,990,940	-	-	-	-	-	-	-	-	-	-	-	5,990,940
Total assets and deferred outflows of resources	$ 820,832,450	$12,523,110	$5,462,134	$15,980,335	$12,678,205	$5,756,751	$15,624,042	$ 3,491,860	$ 6,991,233	$2,908,925	$1,980,579	$(10,270,957)	$893,958,667
Current liabilities:													
Accounts payable	$ 17,212,358	$ 64,934	$ 45,456	$ 63,824	$ 175,009	$ 60,745	$ 91,077	$ 190,721	$ 218,756	$ -	$ 10,134	$ -	$ 18,133,014
Long-term debt due within one year	4,932,435	-	-	-	-	-	-	-	-	-	-	-	4,932,435
Accrued compensation and related expenses	26,612,940	166	229	(407)	408	20,940	30	-	958,274	-	-	-	27,592,580
Accrued interest expense	4,091,458	-	-	-	-	-	-	-	-	-	-	-	4,091,458
Other accrued expenses	14,486,451	(2,027,506)	2,414,109	1,007,735	(4,852,415)	559,739	637,291	(18,795,879)	21,491,445	642,507	8,073,659	(10,270,957)	13,366,179
Estimated third-party settlements	3,576,928	(271,354)	812,246	(246,048)	(702,457)	442,986	2,323	-	400,000	-	-	-	4,014,624
Total current liabilities	70,912,570	(2,233,760)	3,272,040	825,104	(5,379,455)	1,084,410	730,721	(18,605,158)	23,068,475	642,507	8,083,793	(10,270,957)	72,130,290
Other liabilities:													
Long-term debt, less amounts due within one year	289,472,299	-	-	-	-	-	-	-	-	-	-	-	289,472,299
Total liabilities	360,384,869	(2,233,760)	3,272,040	825,104	(5,379,455)	1,084,410	730,721	(18,605,158)	23,068,475	642,507	8,083,793	(10,270,957)	361,602,589
Net position:													
Unrestricted	327,716,514	10,632,103	1,010,105	12,507,522	15,067,487	3,639,651	12,629,473	20,800,107	(17,819,753)	2,250,673	(7,324,172)	-	381,109,710
Net investment in capital assets	105,840,281	4,124,767	1,179,989	2,647,709	2,990,173	1,032,690	2,263,848	1,296,911	1,742,511	15,745	1,220,958	-	124,355,582
Restricted for debt service	26,890,786	-	-	-	-	-	-	-	-	-	-	-	26,890,786
Total net position	460,447,581	14,756,870	2,190,094	15,155,231	18,057,660	4,672,341	14,893,321	22,097,018	(16,077,242)	2,266,418	(6,103,214)	-	532,356,078
Total liabilities and net position	$ 820,832,450	$12,523,110	$5,462,134	$15,980,335	$12,678,205	$5,756,751	$15,624,042	$ 3,491,860	$ 6,991,233	$2,908,925	$1,980,579	$(10,270,957)	$893,958,667

Statements of Revenues and Expenses and Changes in Net Position

Year Ended June 30, 2014	Jackson-Madison County General Hospital	Humboldt General Hospital	Gibson General Hospital	Bolivar General Hospital	Camden General Hospital	Milan General Hospital	Pathways Behavioral Health	Medical Center Medical Products	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	Total BCUs
Revenue												
Patient service revenues	$ 1,501,769,501	$10,358,069	$ 7,282,247	$ 22,062,194	$19,151,566	$ 31,998,089	$ 17,216,338	$31,986,520	$ 79,829,111	$ -	$ 6,404,792	$ 1,728,058,427
Deductions from revenue	995,022,999	8,000,718	5,661,760	16,853,697	11,355,322	23,591,388	7,328,473	19,627,021	48,252,064	-	4,174,932	1,139,868,374
Net patient service revenues	506,746,502	2,357,351	1,620,487	5,208,497	7,796,244	8,406,701	9,887,865	12,359,499	31,577,047	-	2,229,860	588,190,053
Other operating revenues	28,066,684	102,034	124,070	(11,671)	(92,548)	(23,052)	6,773,457	192,365	1,934,400	1,604,698	2,006,207	40,676,644
Total revenues	534,813,186	2,459,385	1,744,557	5,196,826	7,703,696	8,383,649	16,661,322	12,551,864	33,511,447	1,604,698	4,236,067	628,866,697
Operating expenses												
Salaries	197,261,496	2,269,500	2,283,102	3,866,714	3,862,842	4,511,841	9,821,225	2,120,667	28,553,163	871,466	3,679,810	259,101,826
Benefits	55,335,797	477,971	447,523	818,472	861,006	1,038,592	3,133,975	701,067	4,301,482	287,180	1,158,914	68,561,979
Supplies	115,238,250	381,559	243,984	667,475	656,742	1,345,986	1,672,389	6,705,383	1,938,518	21,068	109,393	128,980,747
Other	89,998,786	417,424	368,315	680,255	1,048,774	981,974	2,120,343	541,259	3,818,128	565,751	505,440	101,046,449
Depreciation and amortization	43,964,002	284,658	128,045	431,192	282,030	574,168	455,921	698,210	678,379	5,655	124,875	47,627,135
Total operating expenses	501,798,331	3,831,112	3,470,969	6,464,108	6,711,394	8,452,561	17,203,853	10,766,586	39,289,670	1,751,120	5,578,432	605,318,136
Operating income	33,014,855	(1,371,727)	(1,726,412)	(1,267,282)	992,302	(68,912)	(542,531)	1,785,278	(5,778,223)	(146,422)	(1,342,365)	23,548,561
Nonoperating revenues (expenses)												
Investment income	28,367,125	53,425	11,330	668,110	216,174	1,004,515	843,410	-	-	5,904	1	31,169,994
Interest expenses	(17,248,129)	-	-	-	-	-	-	-	-	-	-	(17,248,129)
Contributions to City and County	(902,604)	-	-	-	-	-	-	-	-	-	-	(902,604)
Contribution to City: Sportsplex	(150,000)	-	-	-	-	-	-	-	-	-	-	(150,000)
Contribution - Foundation	(409,202)	-	-	-	-	-	-	-	-	-	-	(409,202)
Nonoperating revenues (expenses), net	9,657,190	53,425	11,330	668,110	216,174	1,004,515	843,410	-	-	5,904	1	12,460,059
Change in net position	42,672,045	(1,318,302)	(1,715,082)	(599,172)	1,208,476	935,603	300,879	1,785,278	(5,778,223)	(140,518)	(1,342,364)	36,008,620
Beginning net position	460,447,581	14,756,870	2,190,094	18,057,660	4,672,341	15,155,231	14,893,321	22,097,018	(16,077,242)	2,266,418	(6,103,214)	532,356,078
Ending net position	$ 503,119,626	$13,438,568	$ 475,012	$ 17,458,488	$ 5,880,817	$ 16,090,834	$ 15,194,200	$23,882,296	$ (21,855,465)	$ 2,125,900	$ (7,445,578)	$ 568,364,698

Statements of Revenues and Expenses and Changes in Net Position

Year Ended June 30, 2013	Jackson-Madison County General Hospital	Humboldt General Hospital	Gibson General Hospital	Bolivar General Hospital	Camden General Hospital	Milan General Hospital	Pathways Behavioral Health	Medical Center Medical Products	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	Total BCUs
Revenue												
Patient service revenues	$1,364,100,834	$ 18,535,922	$ 16,772,213	$ 21,976,946	$ 18,452,255	$ 26,639,803	$ 17,614,737	$ 31,415,706	$ 77,073,296	$ -	$ 6,164,335	$ 1,598,746,047
Deductions from revenue	881,014,511	12,161,616	12,194,890	16,878,986	11,718,546	19,357,268	7,163,145	19,423,316	45,619,444	-	4,114,286	1,029,646,008
Net patient service revenues	483,086,323	6,374,306	4,577,323	5,097,960	6,733,709	7,282,535	10,451,592	11,992,390	31,453,852	-	2,050,049	569,100,039
Other operating revenues	22,689,344	2,154,793	2,054,334	2,135,875	847,039	2,089,802	6,727,576	185,814	2,207,354	1,821,731	2,020,795	44,934,457
Total revenues	505,775,667	8,529,099	6,631,657	7,233,835	7,580,748	9,372,337	17,179,168	12,178,204	33,661,206	1,821,731	4,070,844	614,034,496
Operating expenses												
Salaries	191,427,892	4,162,508	4,122,413	4,075,900	4,017,983	4,169,231	10,088,611	2,131,982	28,520,137	958,738	3,612,322	257,287,717
Benefits	49,938,721	822,821	783,454	767,045	798,203	849,181	2,809,358	606,286	3,748,716	282,731	1,007,537	62,414,053
Supplies	111,546,538	772,392	632,448	759,644	771,404	1,190,403	1,692,250	7,035,200	2,138,562	23,016	124,536	126,686,393
Other	76,872,817	735,283	702,110	774,998	1,068,593	949,829	1,986,106	506,195	3,726,916	551,383	454,437	88,328,667
Depreciation and amortization	43,775,055	603,317	287,073	420,493	281,736	616,982	425,930	721,874	800,137	12,131	71,530	48,016,258
Total operating expenses	473,561,023	7,096,321	6,527,498	6,798,080	6,937,919	7,775,626	17,002,255	11,001,537	38,934,468	1,827,999	5,270,362	582,733,088
Operating income	32,214,644	1,432,778	104,159	435,755	642,829	1,596,711	176,913	1,176,667	(5,273,262)	(6,268)	(1,199,518)	31,301,408
Nonoperating revenues (expenses)												
Investment income	14,781,011	290,411	61,511	386,142	124,582	575,905	488,670	-	-	9,764	8	16,718,004
Interest expenses	(17,506,401)	-	-	-	-	-	-	-	-	-	-	(17,506,401)
Contributions to City and County	(1,231,291)	-	-	-	-	-	-	-	-	-	-	(1,231,291)
Contribution to City: Sportsplex	(150,000)	-	-	-	-	-	-	-	-	-	-	(150,000)
Contribution - Foundation	(409,702)	-	-	-	-	-	-	-	-	-	-	(409,702)
Nonoperating revenues (expenses), net	(4,516,383)	290,411	61,511	386,142	124,582	575,905	488,670	-	-	9,764	8	(2,579,390)
Change in net position	27,698,261	1,723,189	165,670	821,897	767,411	2,172,616	665,583	1,176,667	(5,273,262)	3,496	(1,199,510)	28,722,018
Reclass of net position	(21,684,788)	-	-	-	-	-	-	-	15,753,133	-	5,931,655	-
Beginning net position	454,434,108	13,033,681	2,024,424	17,235,763	3,904,930	12,982,615	14,227,738	20,920,351	(26,557,113)	2,262,922	(10,835,359)	503,634,060
Ending net position	$ 460,447,581	$ 14,756,870	$ 2,190,094	$ 18,057,660	$ 4,672,341	$ 15,155,231	$ 14,893,321	$ 22,097,018	$ (16,077,242)	$ 2,266,418	$ (6,103,214)	$ 532,356,078

Condensed Statements of Cash Flows

	Jackson-Madison County General Hospital	Humboldt General Hospital	Gibson General Hospital	Bolivar General Hospital	Camden General Hospital	Milan General Hospital	Pathways Behavioral Health	Medical Center Medical Products	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	Total BCUs
Year Ended June 30, 2014												
Net cash provided by (used in) operating activities	$ 63,113,328	$ (8,901,965)	$ (2,441,886)	$ 932,924	$ 1,214,846	$ 1,571,850	$ 1,850,641	$ 802,053	$ 1,201,862	$ (45,159)	$ 551,752	$ 59,850,246
Net cash provided by (used in) noncapital financing activities	(959,202)	-	-	-	-	-	-	-	-	-	-	(959,202)
Net cash provided by (used in) investing activities	5,185,669	4,664,806	987,020	5,540	939	(2,485)	4,719	-	-	5,902	-	10,852,110
Net cash provided by (used in) capital and related financing activities	(71,230,229)	3,840,109	1,051,944	(346,202)	(308,012)	(421,536)	(81,535)	(802,053)	(97,836)	(1,551)	(551,752)	(68,948,653)
Net change in cash and cash equivalents	(3,890,434)	(397,050)	(402,922)	592,262	907,773	1,147,829	1,773,825	-	1,104,026	(40,808)	-	794,501
Cash and cash equivalents, beginning of period	20,142,456	864,955	799,117	816,491	1,108,258	1,082,099	2,322,058	-	1,912,407	2,893,180	-	31,941,021
Cash and cash equivalents, end of period	$ 16,252,022	$ 467,905	$ 396,195	$ 1,408,753	$ 2,016,031	$ 2,229,928	$ 4,095,883	$ -	$ 3,016,433	$ 2,852,372	$ -	$ 32,735,522

Condensed Statements of Cash Flows

	Jackson-Madison County General Hospital	Humboldt General Hospital	Gibson General Hospital	Bolivar General Hospital	Camden General Hospital	Milan General Hospital	Pathways Behavioral Health	Medical Center Medical Products	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	Total BCUs
Year Ended June 30, 2013												
Net cash provided by (used in) operating activities	$ 93,742,426	$ 121,720	$ 91,478	$ 287,429	$ 83,752	$ 423,204	$ (293,098)	$ 572,749	$ (14,674,515)	$ 16,311	$ (5,190,244)	$ 75,181,212
Net cash provided by (used in) noncapital financing activities	(1,389,752)	-	-	-	-	-	-	-	-	-	-	(1,389,752)
Net cash provided by (used in) investing activities	(1,966,616)	(290,370)	(61,438)	(378,872)	(123,077)	(575,823)	(479,581)	-	-	-	-	(3,875,777)
Net cash provided by (used in) capital and related financing activities	(94,569,148)	(113,956)	(142,663)	(143,916)	(97,451)	(135,854)	(97,229)	(572,749)	15,719,803	-	5,190,244	(74,962,919)
Net change in cash and cash equivalents	(4,183,090)	(282,606)	(112,623)	(235,359)	(136,776)	(288,473)	(869,908)	-	1,045,288	16,311	-	(5,047,236)
Cash and cash equivalents, beginning of period	24,325,546	1,147,561	911,740	1,051,850	1,245,034	1,370,572	3,191,966	-	867,119	2,876,869	-	36,988,257
Cash and cash equivalents, end of period	$ 20,142,456	$ 864,955	$ 799,117	$ 816,491	$ 1,108,258	$ 1,082,099	$ 2,322,058	$ -	$ 1,912,407	$ 2,893,180	$ -	$ 31,941,021

Required Supplementary Information

West Tennessee Healthcare and Related Affiliates

Defined Benefit Retirement Plans
Schedule of Employer Contributions (Unaudited)

Pension Plan[(a)]

Year Ended December 31	Fiscal Year Ending	Annual Required Contribution	Actual Contribution	Percentage Contributed
2008	June 30, 2009	$ 10,937,013	$ 10,937,016	100%
2009	June 30, 2010	11,068,225	11,068,225	100%
2010	June 30, 2011	11,217,077	11,217,077	100%
2011	June 30, 2012	12,555,768	12,555,768	100%
2012	June 30, 2013	13,093,111	13,093,111	100%
2013	June 30, 2014	12,992,015	12,992,015	100%

Supplemental 415(m) Plan

Year Ended December 31	Fiscal Year Ending	Annual Required Contribution	Actual Contribution	Percentage Contributed
2008	June 30, 2009	$ 91,376	$ 64,127	70%
2009	June 30, 2010	91,623	69,957	76%
2010	June 30, 2011	95,100	69,957	74%
2011	June 30, 2012	98,636	69,957	71%
2012	June 30, 2013	101,825	69,957	69%
2013	June 30, 2014	113,908	69,957	61%

OPEB Plan[(a)]

Year Ended December 31	Fiscal Year Ending	Annual Required Contribution	Actual Contribution	Percentage Contributed
2008	June 30, 2009	$ 647,040	$ 647,040	100%
2009	June 30, 2010	790,751	790,751	100%
2010	June 30, 2011	826,240	826,240	100%
2011	June 30, 2012	937,560	937,560	100%
2012	June 30, 2013	908,366	908,366	100%
2013	June 30, 2014	1,051,428	1,051,428	100%

[(a)] The actuarially determined contribution requirements for the Company's fiscal year ended June 30, 2014, are based on actuarial valuations as of January 1, 2013.

West Tennessee Healthcare and Related Affiliates

Defined Benefit Retirement Plans
Schedule of Funding Progress (Unaudited)

Pension Plan

Actuarial Valuation Date	Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Total Unfunded AAL (Funding Deficit) ("UAAL")	Funded Ratio	Annual Covered Payroll	UAAL As % of Covered Payroll
January 1, 2011	June 30, 2011	$ 178,927,625	$ 228,607,365	$ 49,679,740	78%	$ 158,948,315	31%
January 1, 2012	June 30, 2012	179,550,974	239,688,164	60,137,190	75%	156,334,613	39%
January 1, 2013	June 30, 2013	184,953,998	249,309,801	64,355,803	74%	152,440,972	42%

Supplemental 415(m) Plan

Actuarial Valuation Date	Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Total Unfunded AAL (Funding Deficit) ("UAAL")	Funded Ratio	Annual Covered Payroll	UAAL As % of Covered Payroll
July 1, 2011	June 30, 2011	$ -	$ 916,816	$ 916,816	0%	NA	NA
July 1, 2012	June 30, 2012	-	901,427	901,427	0%	NA	NA
July 1, 2013	June 30, 2013	-	1,069,038	1,069,038	0%	NA	NA

OPEB Plan

Actuarial Valuation Date	Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Total Unfunded AAL (Funding Deficit) ("UAAL")	Funded Ratio	Annual Covered Payroll	UAAL As % of Covered Payroll
January 1, 2011	June 30, 2011	$ 2,300,633	$ 8,972,682	$ 6,672,049	26%	NA	NA
January 1, 2012	June 30, 2012	2,930,198	9,251,573	6,321,375	32%	$ 231,463,066	3%
January 1, 2013	June 30, 2013	3,776,350	10,716,322	6,939,972	35%	230,246,194	3%

Supplementary Information

West Tennessee Healthcare and Related Affiliates

Deductions from Gross Patient Service Revenues

For the Year Ended June 30, 2014

	Jackson-Madison County General Hospital	Humboldt General Hospital	Gibson General Hospital	Bolivar General Hospital	Camden General Hospital	Milan General Hospital	Pathways Behavioral Health	Medical Center Medical Products	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	Total BCUs
Medicare	$ 503,223,414	$ 2,845,810	$ 2,200,395	$ 5,029,509	$ 4,546,433	$ 10,313,981	$ 1,153,946	$ 5,531,385	$ 24,565,772	$ -	$ -	$ 559,410,645
Tenncare	150,713,682	2,102,160	1,406,571	4,607,775	2,593,286	4,820,354	2,576,801	7,515,621	9,253,935	-	2,003,739	187,593,924
Other revenue deductions	285,004,140	959,097	697,282	4,552,248	2,020,595	6,563,999	3,376,399	5,191,220	11,711,340	-	2,147,540	322,223,860
Bad debt	56,081,763	2,093,651	1,357,512	2,664,165	2,195,008	1,893,054	221,327	1,388,795	2,721,017		23,653	70,639,945
	$ 995,022,999	$ 8,000,718	$ 5,661,760	$ 16,853,697	$ 11,355,322	$ 23,591,388	$ 7,328,473	$ 19,627,021	$ 48,252,064	$ -	$ 4,174,932	$ 1,139,868,374

West Tennessee Healthcare and Related Affiliates

Deductions from Gross Patient Service Revenues

For the Year Ended June 30, 2013

	Jackson-Madison County General Hospital	Humboldt General Hospital	Gibson General Hospital	Bolivar General Hospital	Camden General Hospital	Milan General Hospital	Pathways Behavioral Health	Medical Center Medical Products	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	Total BCUs
Medicare	$ 442,956,662	$ 3,608,465	$ 5,012,472	$ 5,027,155	$ 3,993,349	$ 8,153,541	$ 885,849	$ 5,448,575	$ 23,739,156	$ -	$ -	$ 498,825,224
Tenncare	129,724,991	3,684,080	2,948,429	4,820,995	2,686,606	4,305,520	2,965,766	6,415,875	8,685,988	-	2,487,596	168,725,846
Other revenue deductions	254,882,339	2,290,998	2,337,837	4,297,337	2,598,969	4,655,859	2,905,881	6,020,357	12,687,103	-	1,580,188	294,256,868
Bad debt	53,450,520	2,578,073	1,896,151	2,733,499	2,439,622	2,242,348	405,649	1,538,508	507,196		46,504	67,838,070
	$ 881,014,512	$ 12,161,616	$ 12,194,889	$ 16,878,986	$ 11,718,546	$ 19,357,268	$ 7,163,145	$ 19,423,315	$ 45,619,443	$ -	$ 4,114,288	$ 1,029,646,008

West Tennessee Healthcare and Related Affiliates

Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Expenditures
Federal Awards			
U.S. Department of Education			
Tennessee Department of Education			
Special Education - Grants for Infants and Families	84.181A	36147	$ 81,472
Total U.S. Department of Education			81,472
U.S. Department of Health and Human Services			
Tennessee Department of Health and Human Services			
Pass-Through from Signal Centers, Inc.			
Child Care and Development Block Grant	93.575	N/A	342,521
Block Grant for Community Mental Health Services	93.958	37363	114,503
	93.958	37364	35,637
			150,140
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	93.505	N/A	604,081
Total Tennessee Department of Human Services			1,096,742
Tennessee Department of Mental Health Substance Abuse Services			
Substance Abuse and Mental Health Services Projects	93.243	35336	8,048
	93.243	39622	49,927
	93.243	40043	137,666
			195,641
Block Grant for Prevention and Treatment of Substance Abuse	93.959	38767	23,568
	93.959	N/A	151,213
	93.959	38260	73,750
	93.959	38275	349,260
			597,791
Substance Abuse and Mental Health Services Projects for Assistance in Transition from Homelessness	93.150	38227	58,500
Total Tennessee Department of Mental Health Substance Abuse Services			851,932
Tennessee Department of Health			
Maternal and Child Health Services Block Grant	93.994	37619	6,545
Small Rural Hospital Improvement Grant Program	93.301	37043	44,000
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	36323	34,253
National Bioterrorism Hospital Preparedness Program	93.889	N/A	170,245
	93.889	N/A	100,000
			270,245
Total Tennessee Department of Health			355,043
Total U.S. Department of Health and Human Services			2,303,717
Total Federal Awards			2,385,189

West Tennessee Healthcare and Related Affiliates

Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)

For the Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Expenditures
State Financial Assistance			
Tennessee Department of Education			
Special Education Grants for Infants and Families with Disabilities		36147[1]	500,000
Total Tennessee Department of Education			500,000
Tennessee Department of Mental Health			
Division of Alcohol and Drug Abuse Services			
Block Grant for Prevention and Treatment		38057	183,717
		38765[1]	387,761
		38260[1]	45,761
		38300	221,150
		36420	1,512,017
		GG1439577	37,175
			2,387,581
Block Grant for Community Mental Health Services		37843[1]	309,131
		38262	32,450
		38261	114,132
		38143[1]	95,225
		38378	1,270,008
			1,820,946
Substance Abuse and Mental Health Services			
Projects for Assisting in Transition from Homelessness		38227[1]	33,477
		37842[1]	29,990
		37215	181,600
			245,067
Total Tennessee Department of Mental Health			4,453,594
Tennessee Department of Health			
Block Grant for Maternal and Child Health Services		37619[1]	241,370
		GG1435737	55,000
Total Tennessee Department of Health			296,370
Total State Awards			5,249,964
Total Federal and State Awards			$ 7,635,153

[1] State participation in federally funded projects

West Tennessee Healthcare and Related Affiliates

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Year Ended June 30, 2014

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance summarizes expenditures of West Tennessee Healthcare and Related Affiliates (the "Company") under programs of the federal and state governments for the year ended June 30, 2014. The schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Contingencies

The Company's federal programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect the Company's continued participation in specific programs. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Company expects such amounts, if any, to be immaterial.

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Independent Auditors' 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*

The Board of Trustees
West Tennessee Healthcare and Related Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of West Tennessee Healthcare and Related Affiliates (the "Company"), which comprise the statement of net position as of June 30, 2014, and the related statements of revenues and expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control over Financial Reporting

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

October 24, 2014

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Independent Auditors' Report on Compliance for the Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

The Board of Trustees
West Tennessee Healthcare and Related Affiliates

Report on Compliance for the Major Federal Program

We have audited West Tennessee Healthcare and Related Affiliates' (the "Company") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Company's major federal program for the year ended June 30, 2014. The Company's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on the compliance for the Company's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Company's compliance.

Opinion on the Major Federal Program

In our opinion, the Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

December 3, 2014

West Tennessee Healthcare and Related Affiliates

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

Part I - Summary of Auditors' Results

1. The independent auditors' report expresses an unmodified opinion on the financial statements of West Tennessee Healthcare and Related Affiliates (the "Company").

2. No material weaknesses relating to the audit of the financial statements are reported in the 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.*

3. No instances of noncompliance considered material to the financial statements of the Company were disclosed during the audit.

4. No material weaknesses relating to the audit of the major federal award program are reported in the Independent Auditors' Report on Compliance for the Major Program and Internal Control Over Compliance Required by OMB Circular A-133.

5. The Independent Auditors' Report on Compliance for the Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 expressed an unmodified opinion.

6. The audit disclosed no findings required to be reported by OMB Circular A-133.

7. The Company's major federal program was the U.S. Department of Health and Human Services Block Grant for Prevention and Treatment of Substance Abuse (CFDA 93.959).

8. The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

9. The Company qualifies as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II - Financial Statement Findings

None

Part III – Major Federal Program Findings and Questioned Costs

None